reason

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BREAK FREE!
an exclusive
interview
with
nathaniel
branden

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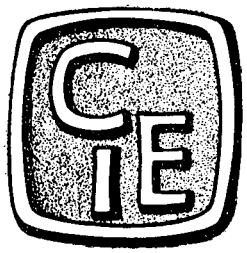

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break free!

an interview with nathaniel branden

With pleasure *REASON* publishes the first candid, comprehensive interview with Nathaniel Branden. One of the original intellects of the Objectivist movement, he is the founder of a new approach to psychology—which he calls "Biocentric Psychology"—and which was first introduced in his book *THE PSYCHOLOGY OF SELF-ESTEEM*.

Nathaniel Branden was born in Brampton, Ontario, in 1930. He grew up in Toronto and studied psychology at UCLA and NYU. He was initially attracted to the ideas of Ayn Rand through reading *THE FOUNTAINHEAD*. His association with Miss Rand, from their initial meeting in 1951, is well-known. He organized Nathaniel Branden Institute, a lecture organization that offered courses on Miss Rand's philosophy of Objectivism as well as on his own psychological theories in more than eighty cities throughout the U.S., Canada, and abroad. He co-founded *THE OBJECTIVIST NEWSLETTER* with Miss Rand in 1962 and was co-editor of this publication (which subsequently became *THE OBJECTIVIST*) until 1968. Through his various lectures, public appearances, and numerous articles, he has been second only to Miss Rand herself in the presentation, clarification, and advancement of the principles of the Objectivist philosophy.

His association with Ayn Rand terminated in the summer of 1968. In the pages of *THE OBJECTIVIST* Miss Rand announced that Mr. Branden was no longer associated with her or with her work. In answer to her various charges against him, Mr. Branden responded with a detailed paper, entitled "In Answer to Ayn Rand," one section of which was written by him, the other by Barbara Branden. The actual details of the conflict between Miss Rand and Mr. Branden were and remain a mystery.

But, following the announcement of their break, the small world of students of Objectivism suffered a traumatic shock. Business associates and friends of many years parted ways when they found that they stood on opposite sides in this conflict—some favoring Miss Rand, others favoring Mr. Branden. Those who took Miss Rand's "side" evidently accepted her position without reservation or question, committing themselves to the view that it was morally wrong to grant any credibility to Mr. Branden's answer to Miss Rand's charges. Those who acknowledged the possibility that there could be any justice on Mr. Branden's side were held in contempt by Miss Rand's partisans and were repudiated as "betrayers of Objectivism."

Subsequent to the break, Mr. Branden moved to Los Angeles, opened a therapeutic practice, and established the Institute of Biocentric Psychology. His first major theoretical work in psychology, *THE PSYCHOLOGY OF SELF-ESTEEM*, was published by Nash Publishing Company in the fall of 1969 and issued in paper back by Bantam Books in the spring of 1971. His next book, *BREAKING FREE*—which deals with the childhood origins of negative self-concepts—was published by Nash in the fall of 1970. He has also had articles published in the *SOUTHERN CALIFORNIA LAW REVIEW* and in *THE PERSONALIST*; he presented a paper on the psychology of romantic love at the 1970 Annual Conference of The American Psychological Association. He has lectured on the philosophical foundations of the biological and psychological sciences at the University of Southern California and is presently on the faculty of the California Graduate Institute. Through the Institute of Biocentric Psychology he offers training to psychologists, marriage counselors, and psychiatrists in his theories and methods and, in addition, conducts Personal Growth Workshops open to the general public.

His office, an attractive three-room suite on the fourth floor of a modern building on Sunset Boulevard, at the edge of Beverly Hills, is appropriately decorated with a poster, entitled "Break Free," of a chick escaping from an egg shell. The poster was given to him by a client.

Quite unlike his New York days, when one could hardly approach him without extensive preparation—when he struck many observers as smug, remote, and almost always preoccupied—today Nathaniel Branden may frequently be found lunching with visitors who express interest in his work, his manner relaxed, enthusiastic, and friendly.

The *REASON* staff (complete with tape recorders, camera, and note pads) descended on the Brandens' Greek-modern home on a hot Sunday afternoon in August. The house rests on top of a mountain and offers a beautiful view of the city. Seated around the spacious, glass-walled living room, the staff—led by interviewer Michael Etchison—questioned Mr. Branden for over five hours, delving into a wide variety of topics. Also present were Nathaniel's wife, actress Patrecia Wynand, and their Schnauzer, a dog named "Pussy Cat." After the tapes of the session were transcribed and the 30,000 word text was edited, Mr. Branden reviewed the manuscript and gave it his approval.

We at *REASON* found it fascinating. Here is what was said:

REASON: What motivates a person to become a psychologist?

BRANDEN: Well, I suppose you're asking what motivated *me* to become a psychologist? The answer won't be the same for every psychologist.

Not a great deal is known about the factors in childhood that doubtless underlie a person's choice of career—I'm talking now about a career to which one is passionately committed, in contradistinction to a career chosen merely as a means of earning a living.

I cannot remember a time when the question of why people behave as they do was not intensely interesting to me. The desire to understand was very important. When I was young I was aware of the fact that much of the time the reasons a person gave for his actions were not the actual reasons. When I was a child I felt at times that I had been born into an insane asylum, that much of human life appeared to be an insane asylum. It was bewildering.

I was fourteen years old when I decided to go into psychology. A book dealing with psychology somehow fell into my hands—I don't remember how—but, anyway, I remember looking through the book and slowly grasping the kind of questions with which psychology deals, the kind of problems to which psychology addresses itself. It immediately excited me. I felt a strong emotional pull. These were the kinds of problems, the kinds of challenges, the kinds of intellectual questions that I wanted to work on. That's how it felt.

REASON: Was it always your intention to practice therapy?

BRANDEN: No. I did not make that decision until my twenties. Earlier I thought I would earn my living teaching psychology at some university. I thought of myself primarily as a theorist; I still do. But then, in my twenties, I began to work with a few people, doing therapy, and discovered that this was the way to learn the things I wanted to learn; this was my best means of doing research.

REASON: What was your reaction to academic psychology when you entered college?

BRANDEN: It was very disappointing, very boring, very frustrating. I had a sense that almost everything I was taught was irrelevant. I decided that the science of psychology did not yet exist, that it was a science waiting to be born.

REASON: You were never sympathetic to Freudianism?

BRANDEN: Never. Between the ages of 24 and 27 I read Freud's complete works, everything that had been translated into English. It was very stimulating intellectually. But I did not accept his view of neurosis or of human nature.

REASON: What about behaviorism?

BRANDEN: I have always regarded behaviorism as a farce. I give my reasons for this view in Chapter I of *THE PSYCHOLOGY OF SELF-ESTEEM.*

The attempt to study man and to understand his behavior—while treating as irrelevant the fact that he is conscious, that he is able to be aware of reality—is so irrational, so preposterous, that I continue to be amazed at the popularity of behaviorism in this country. It is philosophically naive. It reflects the metaphysics of crude, 19th century materialism, a position that most philosophers properly have rejected and repudiated long ago. Behaviorists, of course, tend to be very disdainful of philosophy. But when a person chooses to be ignorant of philosophy, to turn his back on philosophy, something no scientist can afford to do, the sole result is that he ends up espousing philosophical nonsense. Which is precisely what has happened with behaviorism.

REASON: Are there psychologists whose work you admire?

BRANDEN: Well, I read constantly in the field of psychology and I have learned from many writers. You don't have to agree with a person's total position to learn from him.

REASON: What are your views of, say, Abraham Maslow?

BRANDEN: I like his opposition to psychoanalysis and behaviorism. But I don't think he was very profound as a theoretician. I think his most valuable and important idea is that human needs exist in a hierarchy; that is, that needs of a certain level must be satisfied before the next levels of higher needs assert themselves, and *they* must be satisfied before the next levels of higher needs assert themselves, and so on. I don't necessarily agree with his view of what *are* man's needs, in all cases, but that's another question. Also, I admire Maslow for the fact that he chose to study healthy people, superior people, what he called the "self-actualizing personality," in contrast to the majority of psychologists who seem to be interested only in neurosis and deficiency.

REASON: Frederick Perls?

BRANDEN: I think Perls' development of Gestalt Therapy was a major achievement. While I have my disagreements with his position, his approach to therapy is more compatible with my own theoretical views concerning human nature than any other approach of which I have knowledge. I have incorporated a number of the techniques of Gestalt Therapy into my own way of doing therapy. Many of Perls' techniques for developing self-awareness are stunningly effective. And his method of dream interpretation—if you're going to go in for dream interpretation at all—makes everything else written on the subject obsolete. If you're familiar with Gestalt Therapy, and if you have read *THE PSYCHOLOGY OF SELF-ESTEEM*, I think you would know why I would find much of the Gestalt approach congenial to my own way of thinking.

REASON: What do you think of Albert Ellis?

BRANDEN: I don't admire Ellis. I think his approach to psychology and therapy is superficial. His idea that emotions proceed from our thoughts is right, of course, in a very general sense. But his theoretical understanding of emotions is weak. He's very weak on theory in almost all respects. And, as a therapist, his approach implicitly denies the client's responsibility for his own existence; he denies the client's autonomy. All this business about "pressuring" the client, "cajoling" him, "propagandizing" him implies an utter lack of respect for the client's mind. Ellis would deny this, but I believe his approach is basically authoritarian. It's funny that he calls his system "rational-emotive therapy," because he doesn't seem to be very interested in reason *or* emotions; I think he really practices a type of behavior-modification therapy.

REASON: B. F. Skinner?

BRANDEN: Well, Skinner is, of course, America's leading neo-behaviorist. And I've already said what I think of behaviorism. Skinner has made it clear that he believes in a political élite of psychologists—in effect, a dictatorship of psychological "experts"—running the country and controlling people's lives for the purpose of "preserving and perpetuating the culture." I do not believe in "benevolent" dictatorships. But, make no mistake about it, many psychologists do, and Skinner represents a wish-fulfillment for many of them.

REASON: Thomas Szasz?

BRANDEN: Szasz's chief contribution, in my opinion, is to have drawn attention to the appalling victimization of mental patients in our psychiatric hospitals, to

have emphasized the evil of confining people to mental hospitals involuntarily, and to have warned of the dangerous political implications of "community psychiatry." On this subject, I agree with him completely. I do not, however, agree with his view that mental illness is a "myth," and I discuss my reasons in *THE DISOWNED SELF.*

REASON: What about Arthur Janov, author of *THE PRIMAL SCREAM*?

BRANDEN: The major virtue of Janov's *THE PRIMAL SCREAM* is his emphasis on the distortions of personality development that can result from the repression of childhood pain. He is not the first psychologist to draw attention to this issue, but he describes the process very effectively. However, contrary to what he claims, there is much more to therapy than derepressing and reexperiencing childhood pain and much more to mental health than being able to experience one's feelings. Janov has taken one small part of therapy and blown it up into a whole system. I think his work owes an enormous debt to Wilhelm Reich, incidentally, which Janov does not acknowledge. And Janov is appallingly anti-intellectual and anti-rational, and I have heard the products of his therapy described as often inclined to be rather self indulgent vegetables, which I surmised as a very real danger when I read the book. I don't say that no one has benefited from his type of therapy because people apparently have benefited from every kind of therapy known—including having a brick fall on their head or taking an ocean voyage. Almost any kind of experience can sometimes be therapeutic for a given individual. From reading his publicity, one gathers that Janov is group of the fact that professors who have been through his therapy happily give up their careers and become milkmen; I would think it a more laudable achievement to help milkmen to become professors, but that may be a difference in our standard of value.

I think that whatever is valuable in his message is obscured by his grandiosity. He makes the most extravagant and grandiose claims for his therapy method that have ever been made by anyone to my knowledge in the history of the science. This is going to lead to a very negative after effect for him because people are going to go to him with very high hopes and in the end they will be disappointed and he will, I suspect, have an awful lot of people very mad at him. It will take a few years because as a colleague of mine pointed out, when you spend that much money as his method of therapy requires, you're not going to be in a hurry to decide that perhaps you didn't get what you were promised but after a while that thought begins to sink in.

REASON: What do you regard as your most important contributions in psychology to date?

BRANDEN: The theory of self-esteem and its role in human motivation—I would mention that first. Also, the theory of "Social Metaphysics," the explanation of dependency and conformity and so forth. I would include my identification of the principle of "psychological visibility" and its application to human relationships in general and romantic love in particular. Certain things I have defined about the psychology of sex. My analysis of the nature and meaning of mental health. My work in placing volition and psychological freedom of choice on a biological foundation. It was Ayn Rand, of course, who identified free will as the choice to think or not to think, to focus the mind or to avoid the responsibility of doing so. But she nev er sought to defend her position; she merely announced it. What I provided was the theoretical elaboration and the biological foundation. Finally, I attach considerable importance to my treatment of the relationship of reason and emotion, as presented in *THE DISOWNED SELF.*

REASON: When will *THE DISOWNED SELF* be published?

BRANDEN: It is scheduled for publication in November, 1971.

REASON: Can you say anything about your practice as a therapist?

BRANDEN: A good deal of what I do as a therapist is presented in *THE DISOWNED SELF*, although it is not a book on therapy and it does not cover everything I do. My approach to therapy is in a continual process of evolution. I work with many different techniques. I am an experimentalist. Some of my techniques were originated by myself, others were borrowed or adapted from the work of others. I am interested in some of the things being done not only in Gestalt Therapy but also in Bioenergetic Therapy, such as the work being done by Alexander Lowen. One doesn't have to agree with all of the theoretical presuppositions behind the therapeutic approachs of these schools to recognize and admire the effectiveness of some of their techniques. So, as I say, sometimes I incorporate some of their methods into my own approach to therapy.

REASON: Do you find that your present work continues to support and confirm your earlier theories?

BRANDEN: In most cases, yes. What I am chiefly aware of, so far, is omissions in my earlier work that need to be filled in. Then there is the matter of shifts of emphasis. The transition from the *PSYCHOLOGY OF SELF-ESTEEM* to *THE DISOWNED SELF* is a case in point.

You know, some time ago, I held two all-day workshops devoted to the problem of psychological dependency—the problem that I have described as "social metaphysics." While I did not tell this to the participants, one of my private purposes, aside from helping the people involved, was to see if I could test, or even refute, my own theories on the subject, as presented in *THE PSYCHOLOGY OF SELF-ESTEEM*, or perhaps find some significant errors. It was the kind of intellectual exercise I like to do whenever I can. In that case, I failed. The basic theory stands. I think I know a good deal more on this subject than I did when I wrote that chapter but nothing that contradicts it.

It is so easy to look at reality through the spectacles of yesterday's theories and insights and thereby to miss important facts. Obviously, one cannot jump outside one's own head, nor would one really want to. But I try to be as open to the novel and the unexpected as I can. That's what makes life interesting.

REASON: What are your views on homosexuality?

BRANDEN: I am inclined to regard homosexuality as a problem of developmental adaptation—by which I mean that at a certain point of growing up the sexual component of an individual's maturation became diverted.

I do not think the available evidence supports the claim, made by some, that homosexuality is a genetically determined condition.

I want to say that I regard the legal and social persecution of homosexuals as barbaric. I have known a good many male and female homosexuals and do not regard them, apart from their sexual problem, as being any more disturbed than anyone else who comes into therapy, or, for that matter, any average person walking down the street. I think that some of the above obvious neurotic symptoms that some homosexuals display are a result of the pressure under which they exist in our culture.

I am aware, of course, that there are many who regard homosexuality as an entirely valid optional alternative to heterosexuality. Within the context of my

present understanding of the psychology of sex, I cannot agree with them. I have certain hypotheses on this subject, that I hope I will have the chance to test at some future date. But I don't wish to say more at this time.

REASON: Is much of your time taken up with therapy?

BRANDEN: At present I conduct seven therapy groups a week and I'll soon be starting an eighth; each is two hours in length. Except for interviewing new clients, the rest of my time is free for studying, research, and writing. Oh yes, in addition I offer all-day workshops approximately once a month—workshops devoted to cultivating self-awareness and personal growth—which are open not only to my regular clients but to other interested persons as well.

REASON: Why did you choose to specialize in group therapy?

BRANDEN: For several reasons. First, for most of the cases that come to me I consider it the most effective way to work, the most efficient and productive, far more so than individual therapy. If someone comes in who I do not think is suitable for group therapy, I refer him to another therapist. Second, I enjoy group therapy enormously; I find it very demanding, challenging, and exciting. The kind of group therapy I practice is much harder than individual therapy, in my experience. But also much more rewarding. Third, it has the value of being less costly to the client. And fourth, it allows me to work with a great many people—I see more than a hundred people a week—and, from a research point of view, this is very valuable.

REASON: What do you enjoy most about doing therapy?

BRANDEN: I enjoy the challenge of having to devise means to help solve personal problems—sometimes, to have to improvise new techniques and methods. I enjoy the process of learning more and more about human psychology. And I enjoy the drama of watching human beings struggle to grow, to break free, to fulfill their potentialities; sometimes that can be very inspiring.

REASON: What do you see as the chief goal of therapy?

BRANDEN: Stated very abstractly, I would say: to remove obstructions to awareness. To assist the client in being in better contact with himself and with the world. Above all, to assist him in achieving better self-awareness. When he is self-aware, then he is free to choose how he wants to function, to choose what he wants to do with his life.

The three cardinal values of mental health, as I continually tell my clients, are *self-awareness, self-responsibility* and *self-assertiveness*. To be aware, to take responsibility for what one does, and to assert one's own thoughts, needs, feelings, values, and goals.

REASON: Going back to your reference about the relationship of reason and emotions, is there a shift of viewpoint in *THE DISOWNED SELF* relative to your earlier book, *THE PSYCHOLOGY OF SELF-ESTEEM*?

BRANDEN: There is certainly a shift in emphasis, and there is a growth of understanding on my part. I really regard *THE DISOWNED SELF* as, in effect, a sequel to *THE PSYCHOLOGY OF SELF-ESTEEM*. What is not made sufficiently clear in *THE PSYCHOLOGY OF SELF-ESTEEM*, because at the time of writing it this issue was not sufficiently clear to me, but what is stressed again and again in *THE DISOWNED SELF* is that if we are not in good touch with what we feel, we cannot think clearly in the areas where we are emotionally blocked. If we attempt to cut off our intellect from the rest of our person, we produce intellectual distortions. Reason and emotion must function in integrated harmony, or distortions result in both spheres. I work with a great many intellectuals who mistakenly imagine that in order to think clearly the first thing they must do is sacrifice any awareness of their emotions; the result is disaster for their thinking. When it comes to dealing with problems in their personal lives, they become like helpless children—they make themselves into helpless children.

In any issue where values are involved, *if we do not know what we feel, if we do not know what we need, want, are frustrated by or long for, we cannot perceive reality clearly, we cannot function effectively in the intellectual sphere*. The operations of our consciousness are sabotaged.

REASON: What is the relationship between self-esteem, on the one hand, and, on the other, self-awareness, self-responsibility, and self-assertiveness?

BRANDEN: Self-esteem is the consequence, the consequence of practicing and accepting self-awareness, self-responsibility, and self-assertiveness.

Of course, the relationship tends to be reciprocal. The more one is self-aware, self-responsible, and self-assertive, the more one has self-esteem. And the more one has self-esteem, the easier it is to be self-aware, self-responsible and self-assertive.

REASON: From what source do you chiefly draw your clients?

BRANDEN: When I first moved to Los Angeles, my first clients were former students of Nathaniel Branden Institute (N.B.I.). Today, the chief source of clients is either readers of my books and/or referals from other clients who worked with me or are still working with me.

REASON: Do you feel that it is possible to derive much therapeutic value from reading your books?

BRANDEN: I can't speak with certainty. I have received many letters from readers of *THE PSYCHOLOGY OF SELF-ESTEEM* and *BREAKING FREE* who declare that they have received immense value from reading the books and they say that the books changed their lives. Sometimes they describe at great length how and in what way the books helped them, and some of the letters sound very convincing. I don't think there is any question but that books can be immensely helpful to a person's psychological development, depending on the quality of the books, of course. I'm not suggesting that books can be a substitute for psychotherapy in all cases, because they can't; but I do believe they can be very helpful and, perhaps, when there are enough of the right kind of books available to the general public, fewer people will need psychotherapy. I hope so.

REASON: How many therapists are there at present practicing your kind of therapy?

BRANDEN: No one works exactly as I do. I have not yet written a book on therapy, as you know, but I suspect that one day I will. There are psychologists and psychiatrists who profess agreement with my books and who use the ideas in their own practice; but each works in his own individual style. I am training a few psychotherapists at present, but they are not yet in independent practice.

My publisher tells me that an increasing number of book orders are coming in from colleges and universities, suggesting that the books are finding their way into psychology classes. So what will happen in the future, I do not know.

REASON: It is known that you sometimes permit other professionals to sit in on your groups as observers, to study your methods. What has been the general reaction?

BRANDEN: On the whole, the response has been positive—quite enthusiastic, in some cases.

REASON: At what point do you regard a person as ready to terminate therapy?

BRANDEN: That depends on the purpose for which a person sought therapy in the first place. For example, suppose a person comes in because of migraine headaches. When he no longer has the headaches, he may wish to leave therapy. Or, if a person comes in because of a potency problem, and he solves it, again he may wish to leave therapy. Often, however, a person comes into therapy, solves some or all of the problems for which he initially sought help, but then decides to remain to work on other aspects of personality development. From my standpoint, a person is ready to leave therapy when he has achieved relative competence at self-awareness, is able to acknowledge responsibility for his own life, and is not afraid of self-assertiveness *and* when he is able to function effectively in the key areas of life: productive work, human relationships, and romantic love.

REASON: What are your thoughts concerning the use of hypnosis in therapy?

BRANDEN: Sometimes it can be very effective. Especially, perhaps, in the treatment of psychosomatic ailments. I think that every therapist should be trained in the uses of hypnosis. Most therapists are appallingly ignorant of its uses and potentialities. At present, I don't work with it, because it is better suited to individual therapy than group therapy. But even in group it can occasionally be very effective.

REASON: What are your thoughts about the use of marijuana?

BRANDEN: Anti-marijuana legislation should be repealed; there is no question about that. It is not the government's business, one way or the other, if people choose to use marijuana. From what I have read on the subject, it does not appear to be particularly harmful to people—no more so, at any rate, than alcohol. And perhaps, as is sometimes claimed, it is less harmful than alcohol can be. Obviously, if a person needs marijuana as a psychological crutch, he has a problem, just as he would have a problem if he needed alcohol as a psychological crutch.

REASON: LSD?

BRANDEN: LSD is a different matter entirely. Here, again, I do not think the government should intervene and make it illegal. But it is a very dangerous drug and for people to take it "for kicks" is the height of irrationality. Under its influence, persons have killed themselves or others. Sometimes, psychotic breakdowns have been precipitated. I think one has to be a fool to play with dynamite of that kind. Some people, of course, claim that taking LSD helps them psychologically. I have met more than one such person. And in my opinion they are crazy as hell. If LSD helped them, I shudder to think what they were like before they took it.

REASON: Do many of your clients come to you because of drug addiction?

BRANDEN: No, that's not the kind of work I specialize in. Occasionally such a person has come to me, but it's rare.

REASON: Are there any distinguishing characteristics among your clients that you've noticed?

BRANDEN: No. They come from every socio-economic background and every occupational background. They probably tend to be a bit more intelligent than the average person on the street, although not necessarily.

REASON: How do you deal with guilt in therapy?

BRANDEN: To begin with, a lot of guilt is phony. It is resentment against others which one does not wish to acknowledge, so one turns it against oneself as a defense. Dealing with it consists of helping the client to be aware of this fact.

Sometimes guilt is a way of getting oneself off the hook. "I'm worthless—so don't expect anything of me." There again, the job is to help the client become aware of what he is doing.

Sometimes the way to deal with guilt is for the client to stop engaging in the activity that's making him feel guilty. That's obvious, of course, but often it doesn't occur to people.

Sometimes one has to challenge the values by which the person is condemning himself—and expose their irrationality.

What is very important, however, is that the therapist do nothing to deepen the client's guilt, which many therapists do all too readily. I have known psychotherapists who managed to teach guilt every time they opened their mouth. I think that some of the things I have to say about self-acceptance in *THE DISOWNED SELF* will be helpful to people who are troubled with questions concerning guilt.

REASON: What is your position in therapy if your clients go on doing things you consider morally wrong?

BRANDEN: It's their lives, not mine, and *they* will have to live with the consequences. All I can hope to accomplish is to make them aware of what they are doing and how it is affecting them. But beyond that, they are responsible for themselves, as every human being is. I am not their father nor their priest nor their

moral guardian, and when and if any client tries to manipulate me into assuming that role, I refuse to do so.

REASON: Is it common for clients to attempt to manipulate you in that manner?

BRANDEN: It happens all the time. I don't mean only with me, but with every therapist. Many clients seek to manipulate their therapist into being a moral authority, and some therapists are all too eager to accept the role. I am not. I have moral convictions and I don't make a secret of them. I can respect and respond to a client's honest effort to resolve some moral confusion. But often the client who wants you to tell him what's right and wrong is seeking to maneuver you into taking responsibility for his life, and that I refuse to do.

REASON: Do you never introduce questions of morality into therapy?

BRANDEN: I don't give moral lectures, if that's what you mean, and I don't sermonize to clients on their misbehavior. They are all too expert at reproaching themselves; they don't need me to help them.

The chief moral issue that I am concerned with in therapy is *awareness*—the importance of awareness, of knowing what you are experiencing, of acknowledging what you are doing—and taking responsibility for it. The essence of morality is to be aware and to act in accordance with one's awareness. That's what I try to communicate in therapy, not so much by lengthy lectures on the subject but more by the way I work, by the way I approach problems. Of course, I should add that my clients usually read my books, so they know a good deal about my philosophical and moral convictions without my having to discuss those matters in therapy. My philosophical frame of reference is known to them, which doesn't mean they have to agree in all respects.

REASON: Let's talk about love. What's the biggest obstacle to two people who are in love being happy together?

BRANDEN: That's a big subject. Well, let's see.

Two issues immediately come to mind. The first is that most people harbor a deep-seated feeling or belief that no one can really love them, no one can really attach personal importance to them, no one can really regard them as a value. So they wait for this feeling to be confirmed; they wait for the evidence that the other party is losing interest, or doesn't really care, or whatever. They approach a love relationship with this basic fear and this basic expectation of rejection. And the fear drives them to act self-destructively, to precipitate the very disaster they dread. Sometimes they reject the other person before the other person can reject them. Sometimes they behave disagreeably in order to "test" the other person's devotion.

Deeper than that, however, I would name another issue. The inability of most people to be fully real, fully authentic, fully genuine in their responses. Most people are self-alienated. They are cut off from themselves, cut off from their own feelings, needs, wants, desires, frustrations, longings, and so forth. They are dissociated. In that state, one cannot sustain an effective love relationship. All of this will be in my next book, the book that is to follow *THE DISOWNED SELF*. It will deal with the psychology of man/woman relationships.

REASON: Does the book have a title yet?

BRANDEN: No.

REASON: When will it be published?

BRANDEN: Hopefully, in the fall of 1972, although I'm not yet certain of that.

REASON: Do you think that it's possible for there to be deep love between a man and a woman without a sexual component?

BRANDEN: If you're talking about romantic love—certainly not. Not under normal circumstances, anyway. I mean, if one or another of the parties involved is physically incapacitated, so that sexual intercourse is impossible, there would still be love. And there will be sexual feelings, even if they cannot be fully implemented. So the sexual component is still there, and it would still be central and important, even if frustrated. And if it were frustrated over a long period of time, I suspect that the love, too, would suffer.

Perhaps if there were a great difference of age between the man and the woman, there could be a love that was not sexual. But then it would be a different sense of love entirely. Not what I think you are talking about.

One final point. A man and a woman might be happily in love with his or her own partner, and then meet, become friends, actually love each other, yet there might be no burning desire to consumate the relationship sexually. That might happen if each was fully happy, sexually and romantically, in his or her other relationship. And yet between them there would still be a sexual component, even if not expressed or felt passionately or acted on.

REASON: What about sex without love?

BRANDEN: What about it?

REASON: Do you approve of that?

BRANDEN: What am I, your mother? Are you asking my permission? Of course there can be sex without love. And sometimes it can be an immensely valuable experience for the persons involved. I'm not sure I like your use of the word "approval" in this context.

From a psychological point of view, from the standpoint of a person's psychological well-being, the question is not: sex with or without love?—but rather: sex with or without personal involvement? Sex without personal involvement, sex between two people who do not relate to each other as persons and do not care for each other as persons and are not interested in each other as persons, is degrading to both participants. However, it happens between people who are married all the time.

REASON: What are your thoughts about group sex?

BRANDEN: Americans have always loved to join groups—to do things together. We seem to be a nation of joiners. So now the doctrine of "togetherness" has found another form of expression: group sex.

I don't doubt that some people who are troubled by deep-seated inhibitions might find the experience liberating. Maybe. Until boredom or revulsion sets in.

Often, of course, a good deal of unacknowledged—or, for that matter, acknowledged—homosexuality gets gratified in group sex.

I'm not scandalized by the idea of group sex. I think it's pathetic. And stupid. Sex without individuality. Sex without spontaneity. My impression is that group sex is for people who don't know how to be real in bed.

REASON: If there is a stable relationship between two people in love, can there be such a thing as healthy adultery?

BRANDEN: Let's begin by clarifying what you mean by "adultery." Adultery usually involves deceit, that is, having a sexual relationship outside of marriage and without the knowledge of one's partner. Deceit is a very dangerous element to introduce into marriage. The catastrophe is often not the sexual adventure as such, but the deceit, the lies, the leading of a hidden life. That's poisonous.

REASON: But suppose the other partner in the marriage knows about it and consents?

BRANDEN: I hesitate to make any generalizations that will apply to the whole human race—I mean, on this subject. I know of cases where one partner in a marriage had an outside relationship with the knowledge and consent of his or her partner, and it was claimed that the marriage benefited from this. I am not prepared to say that this is impossible. On the other hand, in the great majority of cases I am convinced that such outside adventures undermine the primary relationship. This is what I have observed in my professional experience.

A great deal depends on the psychology and context of the individual couple, of course.

We have to acknowledge the fact that sexual monogamy can and often does pose immense problems for an individual. To the best of my knowledge, men and women have never been monogamous in any culture or society—not fully. There always has been sex outside of marriage. Not for everyone, of course, but for a great many people, at all times and in all places. That fact bears thinking about.

The issue is being faced today and dealt with more honestly than in the past, perhaps. People are less inclined to lie about it. And that is to the good. If people are going to seek sexual relationships outside of marriage, it's better to do so honestly, to recognize that risks are involved, serious risks, and to be willing to bear the consequences. It's better to act without self-deception or deception of one's partner. But anyone who avoids or minimizes the risks is kidding himself.

I realize that I am not giving you a clear-cut answer to your question. The subject is immensely complex, and there is more that I could say, but I don't feel prepared to say it at this time. I prefer to wait until I can express my views in more detail in my book on man-woman relationships.

REASON: Further on the subject of love, many people who are caught up in Objectivist theorizing often get discouraged because they realize that, however splendid they may be, their chances of finding an equally splendid person of the opposite sex in appropriate circumstances is remote and, therefore, they conclude that there's no chance that they can have a serious affectionate relationship with anybody else. Is that a realistic response? Is it inherent in the Objectivist doctrines?

BRANDEN: No. Of course it's not. We fall in love with a person on the basis of very deep-seated psychological affinities. The fact that the person agrees with you on certain broad abstract philosophical questions, such as Objectivism is concerned with, doesn't begin to guarantee that that person will be a suitable romantic partner for you or even an interesting friend. I don't think that a happy romantic relationship can be sustained between two people who have really important and deep-seated philosophical differences. But that doesn't mean that philosophical agreement is enough to guarantee the validity of a relationship.

If you met somebody that you really do have a good personality affinity with—a good psychological affinity—I would be surprised if you would remain permanently at odds over philosophical questions. Many people begin by asking what a person's ideas are, when they should begin by asking, do I like the person? If you like the person, then you might get interested in learning more about his ideas or seeking to change his mind if you think he's mistaken on certain issues.

REASON: Is it possible for a lover to be a teacher?

BRANDEN: Of his loved one? It is possible, especially if you're in a hurry to have a divorce. I think that teaching is a very dangerous element to introduce in a marriage except insofar as two people teach each other. Teaching that is mutual and that is not experienced as *teaching* but as *learning* together or growing or exchanging ideas is very fruitful. But when one party in a relationship sets himself up as some kind of intellectual leader over the other disaster lies ahead.

One of the things which is most important to a good relationship is knowing how to let your partner be himself. Your partner does not have to be like you in every conceivable respect. Very often a person falls in love with somebody else because that person *is* different and then spends the rest of the relationship trying to make that other person the same.

And very often, fear of differences is a sign of insecurity. If you're constantly afraid of what can take your partner away from you—so if you have the smallest difference in your responses to movies or books or whatever, *that* could be the first crack in the split between you, you are overly cautious. I've seen that pattern many times when there's an awful lot of anxiety behind the desire to make a girlfriend exactly like oneself ideologically; and it's got so *little* to do with an authentic interest in philosophy that it's not even funny.

What we have to appreciate is the fact that another person does not *belong* to us. We don't, can't, *own* anybody. No one owes it to us to be just exactly the way we are or exactly the way we would like them to be. Remember that we would not appreciate it if we had a partner who was always at *us*, wanting us to be different, who made us feel that we never were O.K. as we were, that we always had to be something else to be "acceptable." We wouldn't enjoy that role. Don't put somebody you love in it . . . that's my advice.

REASON: Turning to a different subject, have you read Ayn Rand's article in *THE OBJECTIVIST* on "psychologizing"?

BRANDEN: Yes.

REASON: What was your reaction to it?

BRANDEN: I laughed when I read it because I don't know anyone who is more prone to practice the very "psychologizing" she denounces than Ayn Rand herself. I mean the policy of informing people what their motives are,

what their mental state is, and so forth, and doing so in an intimidating manner. I can scarcely disagree with Miss Rand's criticism of this policy, but it sounds a bit strange coming from her.

As to the other side of what she calls "psychologizing," that is, using alleged "psychological" explanations to justify or excuse some form of irrational behavior, Miss Rand does not do that—not about herself—since it is not her policy to acknowledge that she ever acts irrationally.

So far as the article in general goes, there is a good deal in it that's sound; but in certain respects it is naive psychologically. Judging from her remarks, Miss Rand evidently believes that conscious mental processes can be kept entirely separate from and independent of subconscious mental processes—which is not true.

I did not realize this, or did not realize it fully, during the years of our association, but Miss Rand is very ignorant of human psychology. On certain occasions, she admitted that to me. It was not unusual for her to declare, "Nathan, I don't really understand anything about human psychology." But I never appreciated the full implications of what she was acknowledging.

In *WHO IS AYN RAND?*, I compliment her psychological acumen. I was wrong to do so. That was my own naiveté or blindness. I think Miss Rand's lack of psychological understanding is a great liability to her, not only as a person but also as a philosopher. The point at which her ignorance becomes most apparent is when she attempts to moralize about psychological processes, as she does constantly.

REASON: What are your feelings about *WHO IS AYN RAND?* today?

BRANDEN: I wish that the book had never been written. If it were possible to prevent its further distribution, I would do so.

I speak for Barbara Branden as well as for myself in saying that we repudiate that book. I am glad to have the opportunity to do so publicly and in print.

Our repudiation applies, primarily, to Barbara Branden's biographical essay on Miss Rand. The portrait of Miss Rand's character it presents is false, not through any dishonest intention on Barbara Branden's part—the essay was certainly written in good faith at the time—but because of what the essay omits, because of what it neglects to tell about Miss Rand's behavior and personality. Too much was left out of that essay, although Barbara did not realize this at the time and neither did I.

I do not enjoy making this statement. It saddens me. But the truth is the truth.

REASON: What sort of things are left out of Barbara Branden's portrait of Miss Rand?

BRANDEN: Miss Rand's penchant for extravagant self-compliments. Her fits of temper over trivia. Her obsession with absolute personal loyalty on the part of her friends.

Her deadly, eternal moralizing.

Her anger and defensiveness, when challenged about her ideas. Her bitterness and suspiciousness and resentment.

Her idea of encouraging a person to be independent is to tell him, in effect, "Go and think it over—until you see things my way."

During one argument years ago, I forget what it was about, she told me in no uncertain terms that in any conflict within me between her and Barbara—who was then my wife—she expected me to remain loyal to her; and that she held the same expectation with regard to any of her friends if and when she came into conflict with some other value in their lives.

If I would be talking with her—and I observed this same phenomenon when she was talking with other friends—and if I did not understand her, or she did not understand me, or we couldn't reach an agreement, it would be quite typical for her to declare, "What's the matter with you? Are you mentally out of focus tonight?"

To attack a person's mental processes, or their motives, in the case of disagreements, was one of her favorite strategies. She taught her whole circle to do it. And sometimes it seems to me that today three quarters of the students of Objectivism are doing it.

All of her friends, all of the circle of which I was a member, were in terror of her—and no one would admit it, because to admit it would be to open the door to the wider implications of her behavior.

REASON: You paint a rather dark picture.

BRANDEN: What makes the story so tragic is that there is a whole other side of Ayn Rand which is benevolent, generous, innocent, magnanimous. That is the side which Barbara Branden stressed in her essay. And that is the picture her friends present to the world. It's true enough; but it's not the whole story.

I am aware that many of her admirers will hate me for saying these things. Not because they necessarily believe them to be false, but because it upsets them to be told that the Ayn Rand mystique is just that—a mystique. If they need an idol and have chosen Ayn Rand for that role, they won't appreciate what I am saying.

I want to acknowledge that for many years I would not permit myself to face these facts. I played a major role in perpetuating the Ayn Rand mystique.

REASON: Would you say you evaded on this issue?

BRANDEN: Yes. Many other factors were also involved, however, including confusion, emotional repression, and hero

worship. But evasion was certainly involved.

During the years of our association, when I saw behavior that would have disturbed or appalled me if exhibited by anyone else, I twisted my mind to find excuses, explanations, justifications, telling myself that this behavior could not mean, in the case of Ayn Rand, what it would mean in the case of anyone else.

And if others saw these things and dared to criticize her, I was the first person to defend her and to reproach the person doing the criticizing.

I feel I owe an apology to every reader of *WHO IS AYN RAND?* and every student of Objectivism who ever heard me lecture at N.B.I.—not only for perpetuating the Ayn Rand mystique but also for contributing to that dreadful atmosphere of intellectual repressiveness that pervades the Objectivist movement.

It's such a tragedy. Here is a philosophy that should be nothing but a source of liberation and happiness to people. It has so much to offer. And yet so many of its advocates and supporters are filled with fear and self-doubt, endlessly worrying about whether or not they are being "good Objectivists," endlessly watching others for signs of "deviation." Ayn Rand has done a great deal to encourage these attitudes. But I did, too; I know it, I regret it, and, as I say, I feel that I owe all my readers and students an apology.

REASON: Has your view of Ayn Rand's philosophical and literary genius changed?

BRANDEN: No. I consider her one of the greatest minds in history—and the greatest novelist I have ever read.

REASON: Greater than Hugo and Dostoevsky, for example?

BRANDEN: Yes, although I admire Hugo and Dostoevsky enormously and perhaps without them Ayn Rand would not be the novelist she is.

REASON: Is it your impression that she has changed across the years since you first met her?

BRANDEN: I suspect that her bitterness, suspiciousness, and hostility have grown worse.

REASON: Has the failure of Objectivism to achieve a greater following culturally contributed to her bitterness? Or does she regard the Objectivist movement as a success?

BRANDEN: The failure of Ayn Rand and her books to receive the recognition they deserve has certainly contributed to her bitterness. Contributed to it enormously. There can be no question about that. I saw the manifestations of that bitterness on countless occasions. I tried to feel sympathetic. But I could not really admire her attitude.

As to how she evaluates the progress of the Objectivist movement at present, I cannot say. Her books have always sold very well and, to the best of my knowledge, continue to sell well. Objectivism certainly has a large body of adherents. The exact number, of course, is not known to me—nor, I suspect, to anyone else.

REASON: Was she ever concerned with building a movement as such?

BRANDEN: Not really.

REASON: Was that your job primarily?

BRANDEN: I think I was the one who first saw the possibility of generating a philosophical movement. She told me many times that I was responsible for the existence of what the press was to call "the Objectivist movement"—which I accomplished through Nathaniel Branden Institute.

So I guess I can say that I was the "practical" man in the situation, so far as the cultural spread of Objectivism was concerned.

REASON: Do you think that anyone will replace you in that capacity?

BRANDEN: No.

REASON: Because of the lack of anyone qualified to do it or because of the lack of anyone interested in doing it?

BRANDEN: I cannot answer that.

REASON: You've seen no signs of it?

BRANDEN: No.

REASON: How was N.B.I. [Nathaniel Branden Institute] doing at the time of your break with Miss Rand?

BRANDEN: N.B.I. was enormously successful. Student enrollments in our lecture courses across the country kept rising. And we were moving into more and more cities.

REASON: Do you consider yourself an Objectivist?

BRANDEN: You have to realize that Miss Rand would answer that question, if she were asked it about me, with an emphatic "No!"

REASON: That's clear.

BRANDEN: If you mean, do I agree with the broad fundamentals of the philosophy of Objectivism, I would answer "Yes." But if you mean, as Miss Rand might very well wish you to mean, do I agree with every position that Miss Rand has taken and do I regard the sum total of Miss Rand's intellectual pronouncements as being equal to what is mean by "the philosophy of Objectivism," then I am not an Objectivist. Is that distinction clear?

REASON: Yes. Miss Rand has declared, has she not, that Objectivism is a thoroughly integrated, self-consistent system, and that one must accept all of its tenets or none of them?

BRANDEN: It's true that Miss Rand has claimed that, many times. But think about what it means.

Anyone can claim that about his intellectual system. To claim it means nothing.

All that sentence translates to in English is that Miss Rand holds that she has been infallible in working out her philosophical system, that she has never made an error of inference or application, and that everything she says is absolutely true. If she thinks so, fine.

But the suggestion that if one disagrees with her about some tenet of her philosophy, one must repudiate the total of her philosophy, is nonsense. It's worse than nonsense. It's pretentious nonsense. It's grandiose nonsense.

REASON: In the Random House edition of *WE THE LIVING*, published in 1958, Miss Rand discusses the changes she made in the text from the original edition, published by MacMillan in 1936. She suggests that her changes consisted chiefly of rewording a few awkward sentences. She writes: "I have not added or eliminated anything to or from the content of the novel. I have cut out some sentences and a few paragraphs that were repetitious or so confusing in their implications that to clarify them would have necessitated lengthy additions. In brief, all the changes are merely editorial line-changes." But if one compares the 1958 edition of *WE THE LIVING* with the original 1936 edition, it's obvious that some very important changes were made. Changes with significant philosophical and moral implications. Are you aware of this fact?

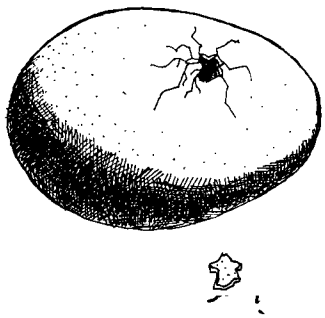
BRANDEN: Certainly.

REASON: Yet Miss Rand does not acknowledge this.

BRANDEN: No.

REASON: Can you explain that?

BRANDEN: I can only say that it is not Miss Rand's policy, as I have known her, to make such acknowledgments.



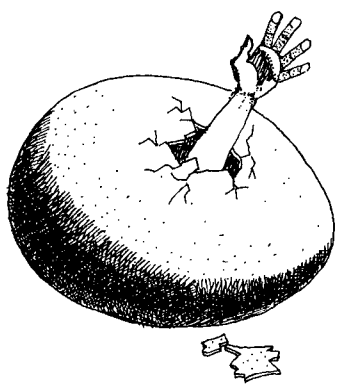
REASON: Do you believe that she knowingly minimized the significance of the changes?

BRANDEN: She made the changes. She knew what was in the original edition and she knew what was in the new edition. Judge for yourself.

REASON: Did she really regard those changes as unimportant and insubstantial?

BRANDEN: Now you are asking me to go inside her head. I prefer not to do that.

REASON: It is rather well-known that Miss Rand can be unusually harsh on people who ask unfortunate questions at her lectures, questions that antagonize her.

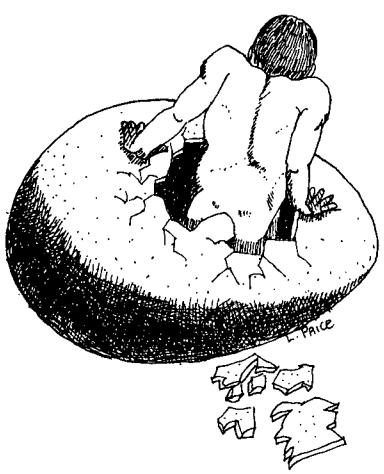


BRANDEN: Yes, she gets very unpleasant sometimes. She yells; she abuses; she attacks the questioners; she launches into discussions of their motives; she "psychologizes."

REASON: What was your attitude toward this when you were present?

BRANDEN: In my early years, while I never shouted or carried on as Miss Rand did, I sometimes treated questioners too harshly when I felt their questions were foolish. Gradually my attitude changed, as I came to see how wrong this was.

Miss Rand and I had many discussions on the subject. I tried to explain to her why it was wrong to make people feel frightened to ask questions, why it was disastrous for their intellectual growth and totally against the spirit of our philosophy.



Sometimes, walking home from a lecture, she would joke about it. She would say, "Aren't you proud of me? I didn't get angry once tonight."

But it wasn't really funny. So in the last few years I moved toward phasing her out of participating in the question-and-answer period following my lectures. I knew she did not enjoy participating in the question periods and was there only to oblige me, because it would be a value to my students to see her and question her, but I told her this was no longer necessary. Her absence thereafter was good for her and good for me. Toward the end, she came only to the opening lecture of the basic course on Objectivism—and gave one guest lecture on literature.

REASON: When were you first aware of being dissatisfied with your life in New York in the Objectivist circle?

BRANDEN: That's hard to answer because it was a gradual thing. In one sense I can say that I was never really happy there. Nor was anyone else, in my judgment, although I doubt that they would admit it.

There is no way to communicate the tension in that circle surrounding Miss Rand. There is a constant concern with doing nothing to upset her. A constant concern to avoid her anger or disapproval. It tends to make all spontaneity impossible.

But she has such a great mind, she has so much to offer, and intellectual conversations with her can be so intellectually exciting and stimulating that it seemed to make everything else worthwhile. At least, that's how it was for me, for many years.

It was hard for me to face the fact that, as a person, I did not really like her in important respects. It is not pleasant for me to say it, even now.

Another reason why I was not happy during my New York years was because—although I did not acknowledge it—I did not really care much for the other members of the circle. I *wanted* to like them, but I didn't, not really. I couldn't admire them. Whatever her faults, Ayn Rand had and has genius. But the others . . .

REASON: What about them?

BRANDEN: The ones who are still there just aren't anything in particular—not by my standards. I don't mean that some of them don't have intelligence. But they are not in any way unusual as people. Without Ayn Rand, what would they be? Any moral significance they imagine their lives may have results from their association with her. She is their one claim to fame, if you know what I mean. It's not a healthy situation.

However, perhaps some of them will accomplish something worthwhile in the future. It's possible. Who can say? It's even possible that some of them may break free, may strike out on their own.

REASON: Can you say anything about the purges or excommunications in the New York circle that one hears about?

BRANDEN: Well, let's see. I remember that Leonard Peikoff had two or three "temporary" excommunications across the years. I don't remember why and I don't recall the exact number. He was, in effect, placed on probation. I'm sorry I can't recall the details. But his worship of Ayn Rand was unfailing, and he was always readmitted.

Across the years, almost every member of the circle was "placed on probation" at one point or another. Almost everyone got into hot water at some point in his relationship with Ayn Rand, and there were big scenes and denunciations and so forth, but no permanent excommunications.

The first permanent excommunication, I suppose, was Edith Efron. She did or was alleged to have done a number of things that made Ayn Rand, and the rest of the circle, and me, mad at her. So she was bounced out.

I participated in that. It was disgusting—I think a lot of the trouble was sheer misunderstanding, and some of it was lying on the part of her accusers.

What I am certain of is that she was dealt with very unjustly by everyone, including me.

Fortunately, I have renewed my friendship with her—as has Barbara Branden and my wife Patrecia.

Edith is a brilliantly intelligent woman and, incidentally, has written an immensely important book dealing with television network political bias entitled *THE NEWS TWISTERS.*

At the time when she was bounced out, I had many emotional reservations about the rightness of what we were doing. I felt a good deal of sympathy for her. I suppressed it. I told myself I was being "soft." The truth is that my emotions were right. I later learned that Barbara and Patrecia had similar feelings. For all I know, others in the circle did, too.

REASON: No other excommunications?

BRANDEN: Not until the break between Miss Rand and me. Barbara took my side so she was out. So was Wilfred Schwartz, for the same reason.

One of the most disgraceful aspects of Miss Rand's attack on us—the most disgraceful, perhaps—was her remarks about Barbara. I refer to her suggestion that Barbara took my side for financial reasons. Barbara took my side because of her personal integrity, because she knew that the things Ayn Rand was alleging about me were false.

I think the single most crucial event that caused Barbara to break with Miss Rand was when Miss Rand screamed to her that she would do everything possible to prevent the publication of *THE PSYCHOLOGY OF SELF-ESTEEM*. That was too much for Barbara. It made inescapably clear the nature of Ayn Rand's own state at that time.

Had Barbara remained on Miss Rand's side, Miss Rand was prepared to make Barbara her heir, to do a great deal for her financially, and to help her in other ways. Barbara threw all that away by defending me.

So Miss Rand's charge against Barbara is the exact opposite of the truth. And Miss Rand had the means to know it.

REASON: Do you feel that Miss Rand's attack hurt you?

BRANDEN: It hurt me personally, at the time. I had idolized her since the age of 14, when I first read *THE FOUNTAINHEAD*. I admired her more than any human being on earth. To see myself smeared so cheaply, so viciously, and so untruthfully, was a shattering experience.

It was the final evidence, and it took me a long time to grasp it fully, that the Ayn Rand I had admired since the age of 14 did not exist and perhaps had never existed.

It did not hurt me professionally. Miss Rand's allies were saying that this was to be the end of me, that no admirer of Miss Rand would deal with me thereafter. They imagined that everyone would take Miss Rand's statements on faith and that no one would exercise independent, critical judgment.

Ayn Rand and her immediate friends have always held the Ayn Rand following in some degree of contempt—at least, at times—and one evidence of that contempt is their belief that whatever Miss Rand said on this subject, however vague, however unsubstantiated, however hysterical, would automatically be believed and accepted. That's where they miscalculated. It didn't turn out that way. In the end, the person Miss Rand disgraced was herself.

You have to realize that her attack on me did not remotely acknowledge the real cause of her anger. I do not believe she would dare to acknowledge it, because of the light it would throw on her.

Did I hurt her? I did. But I did not give her cause for the kind of attacks she launched. Did I make some bad mistakes during those years? I did. But the matter should have been settled privately betweeen us, with sanity and dignity, as it could have been. It should not have been turned into a public scandal.

In defending myself, I was forced to reveal facts about her that I would have prefered to leave private. I had no wish to attack her or embarrass her. But she gave me no choice, under the circumstances. To have remained silent would have been to imply that her attacks were justified.

Yet even in the answer to her that Barbara and I wrote, we were still protecting her, still telling less than the full truth about her behavior.

REASON: Do you defend her today?

BRANDEN: No. There are things I do not choose to say about her today because there is no good reason to do so. I do not care to carry on a vendetta. I leave that to the other side—to Miss Rand and her allies.

After the break, Barbara and I received many sympathetic letters, hundreds of them, and an amazing number of people had evidently guessed a good deal of the truth about Miss Rand's motivation. They guessed it merely on the basis of Miss Rand's statements.

REASON: You are not prepared to discuss her motivation or the actual nature of the conflict between you?

BRANDEN: I am not. It is no one's business. It is not information that anyone has a right to.

REASON: After the break, many of Miss Rand's supporters began disparaging your intellectual achievements, denying that you had accomplished anything important, after all the years when Miss Rand had praised you and your work. Why was that?

BRANDEN: That was to be expected. That is completely consistent with Miss Rand's personal policies.

REASON: In what way?

BRANDEN: To explain this, I have to go back a bit.

Before the break with Edith Efron, Miss Rand had read part of a novel that Edith was then writing and she had praised Edith as being a brilliant literary talent, which she is. Unfortunately, Edith subsequently abandoned the novel for reasons that are irrelevant in this context. Anyway, shortly after the break with Edith, I heard Miss Rand speaking of Edith's writing ability disparagingly, and when I reminded her of the complimentary things she had said in the past, she denied having said them and insisted that she regarded Edith only as a *potential* talent. I knew this was not true. I told

Miss Rand that regardless of what one thought of Edith, she was an unusually intelligent and gifted woman and a brilliant writer. Miss Rand avoided answering me directly, but she persisted in denying her past compliments to Edith's work.

The point of this incident is that Miss Rand has a tendency to rewrite history. If she likes a person, everything he does is wonderful. If she doesn't like a person, nothing he does is any good. If she took that attitude with Edith, I knew she would do it with me. That is precisely what happened.

After Miss Rand and I had broken, but during that period when Miss Rand and Barbara were still friendly, I told Barbara that before this was all over Ayn would be denying the originality of my work as a psychologist. Barbara looked at me aghast and told me that that was impossible, that regardless of what had happened Ayn Rand was still Ayn Rand. But within a week of that conversation my prediction came true. We began to hear the stories.

REASON: Have there been any new excommunications since the time you left New York?

BRANDEN: At the time I left, I told people that it was only a matter of time until Miss Rand's lawyer, Henry Holzer, would be ousted. Not that that's any compliment to him, by the way. My prediction has been confirmed. He's out now, too. It hasn't been announced in *THE OBJECTIVIST*. I wondered if they would be foolish enough to make such an announcement. I mean, how many purges and excommunications can you have before you begin to look ridiculous? It was done quietly.

REASON: What kind of man is Frank O'Connor, Miss Rand's husband?

BRANDEN: I don't know quite how to answer that. I feel affection for him and sadness. I think he was and is a very decent man, caught up in something that he did not know how to handle. He is probably the worst victim in this whole tragedy, at least in certain respects. I cannot feel anything but fondness for him.

REASON: What does he do occupationally?

BRANDEN: In his fifties he developed an interest in painting. So far as I know, he works at that full time.

REASON: Did he ever make any contribution to Objectivism or to the Objectivist movement?

BRANDEN: No.

REASON: Was he expected to?

BRANDEN: No.

REASON: How do you evaluate the contribution of Dr. Allen Blumenthal?

BRANDEN: There's nothing to evaluate.

REASON: He practices Objectivist psychotherapy, does he not?

BRANDEN: What is Objectivist psychotherapy? There is no such thing.

There are the psychological theories originated by me, on which Blumenthal claims to base his work as a therapist—or, anyway, he used to claim it. Now he's probably claiming that he got it all from Ayn Rand.

Blumenthal was never trained as a psychiatrist, either by me or by anyone else. His sole training is as a physician. I advised him on an occasional case, when he came to me for help, and we had occasional discussion, but that was all.

REASON: Do you know anything about the kind of therapy he practices?

BRANDEN: Quite a bit. I've heard tapes of his sessions with patients. And I've spoken to a few therapists who have been through the training program he offers.

REASON: What do you think of it?

BRANDEN: It has nothing of any importance in common with the kind of therapy I practice. And I do not respect it. I do not approve of his whole approach—it is pedantic, moralistic, guilt-inducing. I used to resent the faintly patronizing manner with which he would discuss his patients. He did not convey respect. And he seems to imagine that he is going to lecture people into mental health.

At one time I shared many of the errors he is still making. A good deal of his therapy is, in effect, his own adaptation of the kind of therapy I did in my twenties—which I subsequently discarded, because it wasn't good enough.

As of the time when I left New York, he had contributed nothing original of any importance in the field of psychotherapy. From reports that I receive, I gather that he is still working with my concepts but affecting to be oblivious as to where they came from.

It's amusing to think of him trying to work with some of my more recent concepts, as presented for instance in *THE DISOWNED SELF*. It would blow his mind.

REASON: You never miss your old way of life?

BRANDEN: Never. The life I want, the life I always wanted, is the life I am living today.

REASON: Do you feel resentful or vindictive toward your old associates back in New York?

BRANDEN: If you mean the people surrounding Ayn Rand, you have to remember that at one time I made many of the mistakes they are still making. And more than that, I contributed to the mistakes they are making. It was I who created the Ayn Rand circle in New York. I contributed to the Ayn Rand mystique. So, to some extent, they are my creatures. I do not mean to imply that I am responsible for their behavior, because I do not believe that any person is responsible for the behavior of another. I do not blame Ayn Rand for my past mistakes and I do not blame myself for their present mistakes. But neither do I wish to play the role of a totally innocent victim who never did any of the things for which I am now criticizing them.

Resentment? At times I suppose I feel resentment toward them, but not often, not any more. I did feel that two or three years ago. It doesn't seem to matter now. Besides, I have accepted the fact that they are getting what they deserve.

REASON: What is that?

BRANDEN: They are there.

REASON: In *WHO IS AYN RAND?* you wrote very glowingly of Miss Rand's novels. Have your views changed in any way?

BRANDEN: As a novelist, there is no one like her. She is the greatest. I think that future generations of literary critics are going to look with considerable scorn and contempt on the critics of our age who have failed to recognize what she has accomplished.

REASON: There are no reservations about her work whatever?

BRANDEN: There are certain touches in her novels that bother me and I guess have always bothered me, but in the past I did not pause to consider them, I did not think about them.

In *THE FOUNTAINHEAD*, for example, the relationship between Roark and Dominique is dramatic, fascinating, exciting. In many ways I love it. But as a psychological portrait, Dominique is completely unreal. Her behavior is incredibly irrational. I am referring most especially to her attempts to harm Roark professionally. I cannot believe for a moment that anyone with Dominique's admirable qualities would behave that way. Literarily, the characterization doesn't fully work. Not even if one allows for poetic license and artistic stylization.

In *ATLAS SHRUGGED*, I would mention a few things. I think the most objectionable touch in the book, morally, is Galt's and Dagny's willingness to let Hank Rearden believe, for a month, that Dagny is dead. Miss Rand may have needed it literarily, for dramatic purposes, but morally and psychologically it is criminal. No political purpose is served by keeping Rearden in that dreadful state of ignorance. And you do not do that to another human being, not for any reason whatever. It is cruel beyond belief.

Then there is Eddie Willers. If you take him literally, you would have to regard him as a very neurotic and pathetic man, but he is clearly not intended to be viewed that way by the author. He has no life of his own, no friends, no personal interests, only his loyalty to Taggart Transcontinental and his silent, unadmitted, unrequited love for Dagny. A man who is willing to live that way for so many years is a man disastrously lacking in self-esteem and self-assertiveness. Yet he is obviously intended to be viewed as admirable by Miss Rand.

Just as in real life, Miss Rand tends to evaluate people according to the degree of their loyalty and worship of her, so, in her fiction, she tends to characterize the other figures in her books, their attitude toward her heros and heroines, by the degree of their love and appreciation. Eddie's "feudal serf" psychology is treated as touching and admirable; in fact, it is sick. That Miss Rand does not recognize this says something about her own attitudes.

Or again, consider Francisco. For most of his adult life, from the time he goes on strike, he exists in a state of sexual celibacy. After he leaves Dagny, we are told there are no other women in his life.

Do you appreciate what a tragedy this would be? What in hell can the government do to Francisco, in terms of regulating his economic activities, that would be more disastrous to him personally than the kind of emotional starvation to which he subjects himself? It's so unrealistic! It would not be a denial of his love for Dagny to have a relationship with some other woman who he admired during those years. It would certainly have been possible for him to have found such a woman. It would not be treason or disloyalty or anything of that kind. And it would have given him some kind of human life during those years. That Miss Rand chose to handle the situation as she did makes one wonder how she views the role of sex in human life.

But what the hell, so there are a few things one can quarrel with in the book, so what? *ATLAS SHRUGGED* is the greatest novel that has ever been written, in my judgment, so let's let it go at that.

REASON: One last question on this subject. Can you envision a reconciliation taking place between Miss Rand and you?

BRANDEN: No.

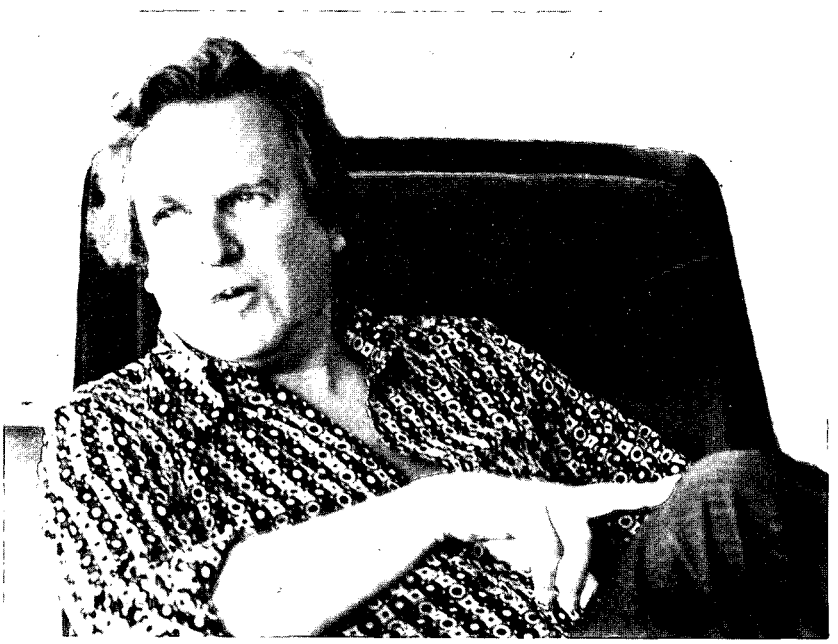
REASON: You would refuse to consider it?

BRANDEN: I wouldn't put it that way. If Miss Rand ever wanted to speak with me, I would agree—if only out of my sense of drama.

Our relationship still feels to me like an unfinished novel; the last chapter is missing. Perhaps there never will be a last chapter. Almost certainly there won't be. I don't like that. It's not good fiction. But then, life is seldom as satisfying as art.

REASON: Why are you so certain that she would never seek to approach you?

BRANDEN: Because by now she has almost certainly wiped out of her mind everything she ever knew about me to the good and has persuaded herself that I am a monster. She would have to do that, to support her own actions. Also, to approach me would mean that she was



willing to consider the possibility that, in the past, she may have made some mistakes. And that would open the door to the question: what mistakes? And I do not believe *that* is a question she is prepared to consider or will ever be prepared to consider.

It's too bad. Life shouldn't be this way. Sometimes the whole situation strikes me as insane.

We cared for each other very much. Not withstanding everything I've said, there was a good deal between us that was very happy, very rewarding, and fulfilling. It will never come again.

Sometimes when I am alone, in spite of everything I know I find myself feeling affection and smiling at her in my thoughts. And then I wonder, at whom am I smiling? Does that person exist? Did she ever exist?

Sometimes for a moment I forget everything that has happened and I want to share with her some new idea of mine. And then I remember.

REASON: What sort of things would you want to communicate?

BRANDEN: More than anything else, perhaps, the things I say in *THE DISOWNED SELF*.

And yet I wonder if she would be able to understand the importance of that book to her own work. I don't know. But the whole Objectivist movement needs that book.

I am hoping that, with *THE DISOWNED SELF*, I can undo some of the damage I caused students of Objectivism in the past. You know, in spite of Miss Rand's and my past claims to the contrary, there is a subtle but very powerful bias against emotions in Objectivism—or in the way Objectivism is presented to people. To the extent that I shared that error, and perpetuated it, I encouraged my students to fear their own emotions, to distrust themselves. I didn't know that that was what I was doing, but it's a fact. Perhaps I will undo some of that damage with my new book. Perhaps they will learn from the book a new way of seeing themselves, of dealing with their emotions, of integrating reason and emotion. Perhaps it will help some of them to become free of guilt. Perhaps some of them will learn greater self-acceptance. It would mean a great deal to me if I could accomplish that.

REASON: Can you say anything about your future literary plans?

BRANDEN: At present, I am at work on a book dealing with the psychology of man-woman relationships, as I already mentioned. It will be rather different from the course on "The Psychology of Romantic Love" that I gave some years ago, although naturally there will be some overlapping. If that book comes out as scheduled in the fall of 1972, that will be four books published in four years. The first one, *THE PSYCHOLOGY OF SELF-ESTEEM*, took me seven years to write. But after that it has been one a year. I'm a bit tired. I feel I need a rest.

I also need time to study, to pursue some new ideas, new researches, and to try to synthesize and integrate the things I have been observing and learning. So I doubt that I will publish again for several years after 1972. But I hesitate to make predictions of this kind because anything could happen to change my plans. I might get very excited about some idea and want to write about it.

I said earlier in this interview that I was 14 years old when I decided to be a psychologist. I neglected to mention that during the same year I also decided to be a novelist. That is a major passion of mine, fiction-writing.

As my plans now stand, my next book following the one on man-woman relationships will be a novel. That will be several years away. It will deal with the world of psychology.

REASON: Do you have any interest in political activity? In involving yourself in the political scene? Or writing on political subjects?

BRANDEN: I certainly don't plan to engage in political activity. But I have been thinking about the question of writing on an aspect of politics.

There is a particular problem that interests me; you could call it psycho-politics. It concerns the anti-capitalist mentality. The psychology of all the people who are antagonistic to industrialism, technology, and a free-market society.

You know, the old enemies of capitalism used to denounce it on the grounds of its alleged exploitation of the worker. But today, when the American worker is so well off materially, that argument doesn't carry much weight, not that it ever did. Now the emphasis of the attack is shifting; now the talk is all about "alienation" and how capitalism and technology "alienate" man from his "true self." When that argument wears thin or wears out, they'll come up with something else. But why? What is it they really hate? That's the question. And why do they hate it? That's another good question.

Of course, Ayn Rand says a great deal that is illuminating on this subject in *ATLAS SHRUGGED*. And Ludwig von Mises has some important things to say in his book, *THE ANTI-CAPITALISTIC MENTALITY*. But I don't believe that either of them has exhausted the subject. I feel there is still more to say. And the issue interests me enormously. At some point I feel relatively certain I will write on this subject, but I can't say when.

REASON: How do you view the current political scene?

BRANDEN: As an unmitigated disaster. How else can one view it?

REASON: What do you think of Nixon?

BRANDEN: I have never liked Nixon. I have never trusted him, although I suppose he was preferable to the alternatives. But what a choice!

REASON: Do you keep abreast of the Libertarian movement?

BRANDEN: To some extent. I think I have a general knowledge of what's going on.

REASON: Do you see any hope there?

BRANDEN: I can't really judge. I don't know the extent of the movement. I don't know its influence. I don't know what the younger generation of Libertarians is

going to do.

REASON: Would you have any advice to give them?

BRANDEN: Yes, I think so. In fact, I would enjoy speaking to Libertarian groups. I think it's unfortunate that Libertarians so often leave the initiative to the Leftists. For example, it was the Leftists who were the first—publicly and in a big way—to oppose our involvement in Viet Nam. It was the Leftists who were the first—publicly and in a big way—to oppose the draft. It was the Leftists who were the first—publicly and in a big way—to denounce racism in this country.

Never mind that the Leftists had their own motives for doing so and that those motives would not be the motives of Libertarians. The fact remains that we should have never have involved ourselves in Viet Nam, the draft is evil, and racism is contemptible. Libertarians—the true defenders of individual rights—should have been the first to speak up on these subjects, loudly and clearly and publicly.

I don't mean that these are the only issues to which Libertarians should address themselves. Far from it. But it would have been immensely important had Libertarians been the first to speak up on these problems.

Libertarians don't seem to know what the vital issues are, where the battle lines most need to be drawn, and which issues should be attacked first. They don't seem to have a good sense of practical reality in these matters.

If it were not such a bromide, I would say they are suffering from a lack of knowledge of how to communicate.

I am hoping that your magazine will be a step in a better direction.

REASON: What do you want out of life? What are your goals?

BRANDEN: To live. To know that I am totally using myself, using my powers, living to the limit of what I can do. To discover as much about human psychology as I can. To write some good novels. And always to feel about life as I do right now.

REASON: You have been very candid during this interview, which we appreciate. Thank you. □

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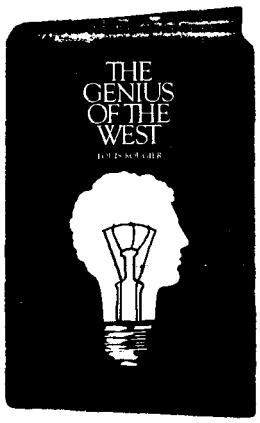

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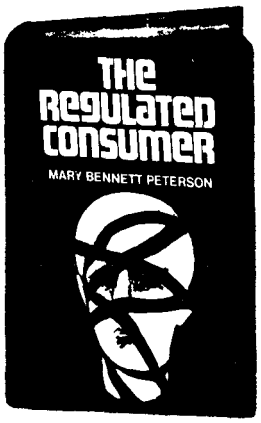

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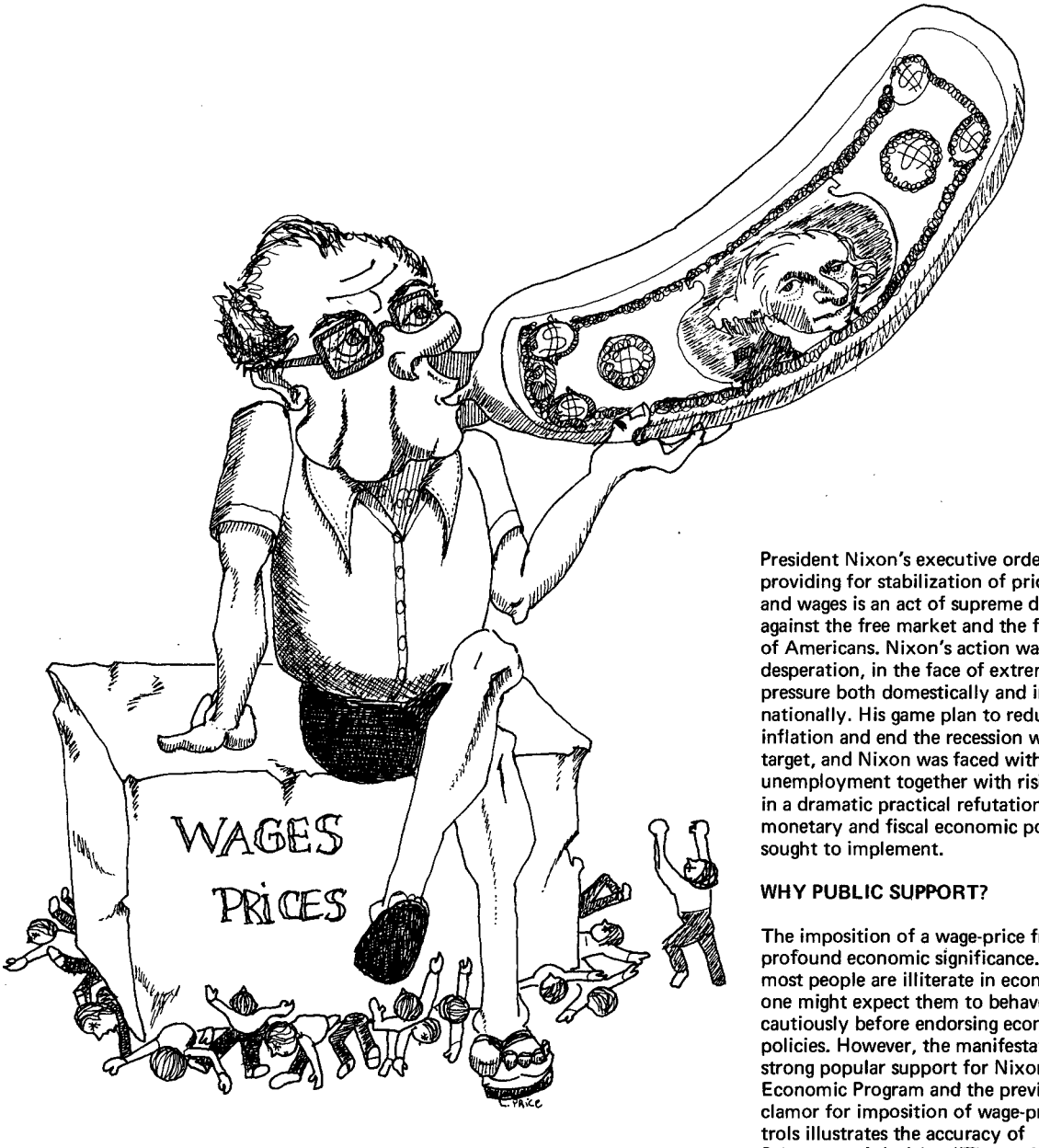
editorial

the wage-price freeze: bold action against free enterprise

manuel s klausner



President Nixon's executive order providing for stabilization of prices, rents and wages is an act of supreme defiance against the free market and the freedom of Americans. Nixon's action was born of desperation, in the face of extreme pressure both domestically and internationally. His game plan to reduce inflation and end the recession was not on target, and Nixon was faced with rising unemployment together with rising prices in a dramatic practical refutation of the monetary and fiscal economic policies he sought to implement.

WHY PUBLIC SUPPORT?

The imposition of a wage-price freeze is of profound economic significance. Since most people are illiterate in economics, one might expect them to behave cautiously before endorsing economic policies. However, the manifestation of strong popular support for Nixon's New Economic Program and the previous clamor for imposition of wage-price controls illustrates the accuracy of Schumpeter's insight: "The typical citizen drops down to a lower level of mental performance as soon as he enters the political field. He argues and analyzes in a way which he would readily recognize as

infantile within the sphere of his real interests. He becomes a primitive again. His thinking becomes associative and affective." Thus the typical citizen "in political matters tend[s] to yield to extra-rational or irrational prejudice and impulse." *CAPITALISM, SOCIALISM AND DEMOCRACY* 262 (3d ed. 1950)

The public demand for wage-price controls is comparable to the pressure for rent control laws in New York City. Economists have demonstrated why rent control laws are counterproductive and tend to diminish the housing supply, thus intensifying the problem of scarce housing. The experience in New York City after some twenty-five years of post-war rent controls attests to this truth.

From a utilitarian standpoint, wage-price controls, just as rent control laws, cannot work. Their imposition leads to inequities and black markets. When a freeze is lifted and adjustments are allowed to be made under governmental scrutiny (Phase 2), the consequences are bureaucratic expansion and the substitution of political judgments for those of private businessmen. As Professor Rothbard has observed, "trying to check inflation through price controls is akin to combatting a patient's fever by manually pushing down the mercury level in the thermometer."

Who is best suited to decide whether prices or wages should be changed, and to what extent? The price system allows a multitude of adjustments in reaction to changes in supply and demand, resulting in optimum satisfaction of consumer wants. Occasions constantly arise necessitating such adjustments. Shackled by a wage freeze, what is an employer to do if he wants to retain the services of a valuable employee who receives a higher wage offer from a competitor? What is a company to do if it is faced with a price increase in the cost of components which it imports from countries not subject to the price freeze?

What is involved in the support of Nixon's new economic policy is an application of the American political style towards problem solving: "DON'T JUST SIT THERE. DO SOMETHING!" Edward C. Banfield characterizes this rule as follows: "Believing that any problem can be solved if only we try hard enough, we do not hesitate to attempt what we do not have the least idea of how to do and what, in some instances, reason and experience both tell us cannot be done." *THE UNHEAVENLY CITY* 249-50 (1970).

In the application of this "wishful thinking" approach to public policy, Americans of all political complexions are supporting the President in his wage-price freeze. They do so because Nixon has done something bold, without regard to whether the action will help or aggravate the problem. Thus, Nixon is now riding a crest of popularity such as he has not previously enjoyed.

REAL SOURCE OF INFLATION

One might wonder what the public reaction would have been had Nixon on August 15 delivered an announcement calling for bold action to fight inflation—with a specific program for outlawing the Democratic Party for ninety days, with a Phase 2 to follow as deemed necessary. Would the public fall in line so quickly if Nixon embarked on such a bold approach? Perhaps Nixon's freeze is not so *obviously* unrelated to alleviating inflation as outlawing the Democratic Party would be—but economists who comprehend the real cause of inflation know that wage-price controls are no more effective as a cure. The real source of inflation is the government itself, with its control over money. Inflation results from monetary expansion, pursued by the Federal Reserve Board in issuing new, unbacked dollars into the economy. Professor Sennholz' article in this issue explains the inflationary effects of such "fiat" money. As Mises has stated, "Inflation is the fiscal complement of statism and arbitrary government . . . a cog in the complex of policies and institutions which gradually lead towards totalitarianism." *THEORY OF MONEY AND CREDIT* 428 (1953)

Those who value freedom should recognise the totalitarian implications of Nixon's New Economic Program. In a recent attack on Galbraith's advocacy of wage-price controls, Paul McCracken, chairman of the Council of Economic Advisers, wrote that "General price and wage control would be a serious threat to individual freedom. It is amazing that the press, so jealous of its own freedom, does not recognise the implications of having literally everyone in the country controlled by a government agency." *LOS ANGELES TIMES* August 8, 1971. Standard economic and history texts point out the use in Nazi Germany of wage and price controls to implement the fascist economic policy of national socialism. In contrast to the Russian Marxist doctrine of government ownership of the means of production, the fascist approach was to allow the means of production to remain nominally under private ownership—while the government directed businessmen as to what they could produce, and at what price. As described in Neumann's text, *EUROPEAN AND COMPARATIVE GOVERNMENT* (1951), "The outward forms of private property and capitalism were preserved, but they were mere trappings behind which abode the naked and unrestrained control of the state . . . ." (p. 371) In this light, Nixon's New Economic Policy may accurately be described as incorporating a fundamental tenet of the fascist economic program.

The public silence—or worse the cheers—since Nixon's executive order was announced is appalling. Where were the voices of the politicians who profess a belief in the free enterprise system? Is it that they ran out of steam and had nothing left to respond after their hard fight for government aid to Lockheed and for development of the SST? How is it, for example, that such a self-professed supporter of the free market as Ronald Reagan can endorse Nixon's new economic policy?

UNCONSTITUTIONAL DELEGATION

There is a grave legal question presented by Nixon's action which should also be voiced. The broad delegation of power by the Congress to President Nixon under the Economic Stabilization Act is subject to constitutional attack. While it is true that, since the New Deal, no act of Congress has been declared unconstitutional on the ground of improper delegation of authority, the constitutional maxim against delegation of legislative power should not be regarded as a dead letter. The Economic Stabilization Act gives the President virtually unlimited legislative authority over the national economy. In fact, no such broad delegation has been sustained except during wartime. Thus, the upholding of the broad delegation of legislative power in the Emergency Price Control Act of 1942 was sustainable under the war power. But it would hardly appear that the war power is available to sustain Nixon's executive order. From a constitutional standpoint, strict constructionists should find little to approve in the broad peacetime delegation of authority set forth in the Economic Stabilization Act.

Given the severity of the economic crises with which the government had set upon itself, what was the government to do? To

listen to the administration spokesmen, the government had no choice but to impose a wage-price freeze. To listen to the opposition, the President should have done so sooner and probably should have frozen interest rates and profits as well.

Are we now to believe the government that our cooperation and sacrifice—our humble submission to the directives of the Cost of Living Council with its political interpretations of the executive order—will lead us out of the inflationary/recessionary crisis we are in? The government's credibility on other matters of public policy leaves little reason to believe the government on this issue.

POSITIVE PROGRAM TO HALT INFLATION

What could the government have done to correct the financial crisis? Rather than imposing controls to attack the symptoms of his own inflationary policies, Nixon can get rid of inflation by imposing restraints on monetary expansion. The following program should be implemented if Nixon is genuinely interested in getting rid of inflation: 1. Freeze the money supply, which is increasing at an approximate rate of 12% per year. 2. Permanently halt government manipulation of money by returning to the gold standard and halting the issuance of fiat money. 3. Eliminate deficit spending, by such measures as total withdrawal of American troops from Europe and Asia, elimination of farm subsidies and general curtailment of present and proposed expenditures. (The largest peacetime federal deficit in United States history has developed under Nixon's Republican regime.) 4. Repeal labor laws which give monopoly privileges to unions. 5. Suspend the Davis-Bacon Act, to reduce construction costs. (Nixon previously suspended Davis-Bacon for awhile, but caved in to union pressure and lifted the suspension, thus requiring payment of above-market wages for much government construction.)

What should the people do in the face of the wage-price freeze? The people should indicate their resistence in every proper way. President Nixon should be marked as a one-term President—he must be dumped if he does not withdraw as a candidate in the 1972 elections. The development of broad public opposition to the wage-price freeze is essential. Otherwise, as reported by the *WALL STREET JOURNAL* in a September 2, 1971 front page story, "The wage-price thaw might be years away . . . Phase 2 may be forever." □

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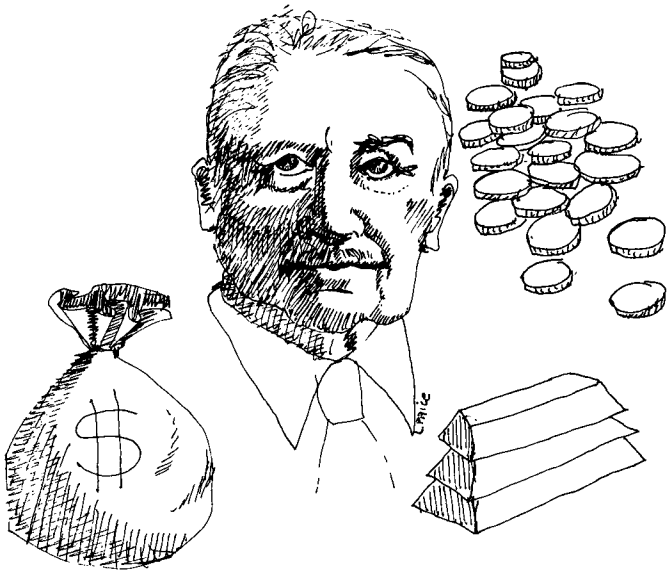
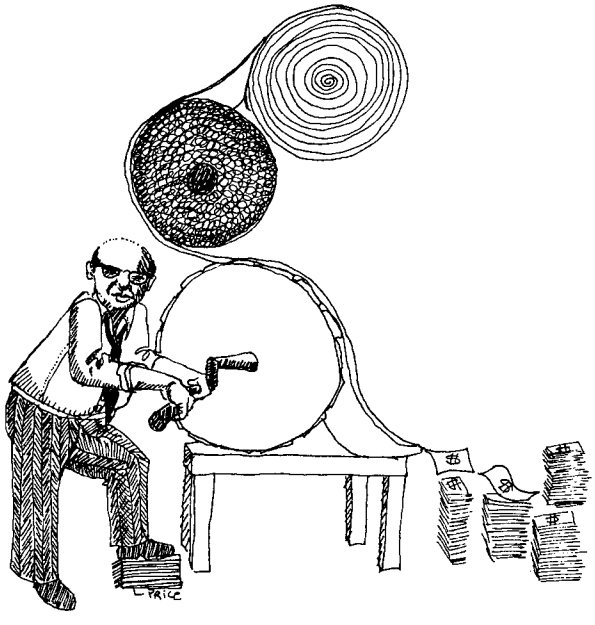


chicago monetary tradition in the light of austrian theory

hans f sennholz



The extraordinary Austrian, Dr. Ludwig von Mises, celebrates his 90th birthday on September 29, 1971. The renowned dean of the Austrian School of economic thought, Mises has made profound contributions to the science of economics and to an understanding of the operation of the market economy. His contributions to monetary theory and business cycle theory are particularly cogent today.

Those who are familiar with contemporary economic thinking are aware that the Austrian School stands in fundamental opposition to Keynesian concepts, and that the Chicago School of economists has also spearheaded attacks on Keynesianism. Yet few realize the distinct approaches to monetary theory of the Austrian and Chicago Schools. Thus, while Chicagoite Milton Friedman has enjoyed widespread prestige as an economist and is considered to be a strong influence in favor of the market economy, from an Austrian perspective certain of his views—particularly his interpretation of business cycles and advocacy of steady expansion of the money supply—are erroneous and tend to breed demands for additional governmental control.

One of the worst consequences of Keynes' teachings is that they served to make inflation respectable as something to be generally accepted. Might the legacy of the Chicago School also be harmful? In this article by a leading Austrian economist, Professor Sennholz contrasts the Austrian business—cycle analysis with the Chicago approach to business recessions, and manifests his concern that the widespread influence of Chicago monetary thought may lead to a setback for libertarians.

Professor Sennholz' article shall be published by the Institute for Humane Studies in a two-volume Mises festschrift, entitled TOWARD LIBERTY. *Sixty-seven admirers of Mises, from eighteen different countries, have contributed essays to* TOWARD LIBERTY *in Mises' honor on the occasion of his 90th birthday. The festschrift, which reproduces these essays in their original typed format, can be ordered, at the price of $10.00 (plus 5% tax for California residents), from the Institute for Humane Studies, Inc., Menlo Park, California.*

REASON *is proud to prepublish Professor Sennholz' important essay at this time.*

—Manuel S. Klausner

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In the diversity of contemporary American monetary thought the new neoclassicism of the Chicago School has assumed an intellectual position that probably equals that of the new economics. Chicago monetary thought has invaded in force not only the American academy and the deliberations and actions of the Federal Reserve Board, but also the halls of Congress and the economic reports and policies of the President. This remarkable development is also reflected in the growing popularity and prestige now accorded to Milton Friedman, the most influential economist of the Chicago tradition.

We rejoice about this new trend in monetary thought and are appreciative of the effective Chicagoan challenge to the Keynesian orthodoxy. The analytical depth, scientific precision, and overwhelming empirical evidence offered by Professor Friedman and his colleagues have shattered many a cherished doctrine of the new economics and thereby given new life to neoclassicism. In an age of Keynesian supremacy when the discussion of money had given way to debates on the techniques of fine tuning through fiscal measures the Chicagoans restored money to its rightful place. They successfully reconstructed a version of the quantity theory of money and re-emphasized the importance of monetary policy. And last but not least, they levelled devastating criticism at official monetary managers for having generated feverish booms and disastrous recessions through gross mismanagement of our money.

And yet, this writer casts doubt on the cogency and durability of this new neoclassicism. In our judgment, it is built on the quicksand of macro-economic analysis; it misinterprets the business cycles and therefore is bound to fail as policy guide for economic stability; it is inherently inflationary as it makes government the guardian of our money. The intellectual forebears of this new neoclassicism were three Englishmen and one American: William S. Jevons, Alfred Marshall, Ralph G. Hawtroy, and Irving Fisher. As, a generation ago, their tenets gave way to the new economics of John Maynard Keynes, Alvin H. Hanson and Abba P. Lerner, so is the new neoclassicism itself destined to surrender to more statist doctrines. After all, it puts government in charge of economic stability and then prescribes monetary policies that will continue to generate business cycles. Inevitably, frustration and disappointment tend to breed demands for more government intervantion.

Almost 100 years ago WILLIAM STANLEY JEVONS had attempted "to substitute exact inquiries, exact numerical calculations, for guesswork and groundless argument" in his analysis of quantitative data on prices and business movements.[1] In a paper on "The Variation of Prices, and the Value of the Currency since 1782" Jevons studied the changing purchasing power of money between 1782 and 1865. He concluded his analysis with the following comment on gold: "in itself gold-digging has ever seemed to me almost a dead loss of labor as regards the world in general—a wrong against the human race, just such as is that of a government against its people, in over-issuing and depreciating its own currency."[2] Instead, Jevons favored a "tabular standard of value" which his own work on index numbers was supposed to promote. He was convinced that some day this system would come into use and that gold coins would cease to be the principal media of exchange.[3]

ALFRED MARSHALL lent his support to the Jevons plan. Mindful of the great changes in the purchasing power of money and their detrimental effects on contractual relationships, he searched for a stable monetary unit. In a proposal to the Royal Commision on the Depression of Trade and Industry, in 1886, he urged the government to publish tables showing changes in the purchasing power of money so that contracts would be made in terms of units of constant purchasing power.[4] Professor Marshall introduced the great dichotomy that continues to guide most contemporary economists, that is, the separation of the micro sphere in which individual prices are determined by supply and demand, from the macro sphere in which the total supply of money and its velocity determine the value of money and the price level.[5] Although Marshall did not draw the political conclusion from this doctrine, his followers in Great Britain and America later went the final step: they called on government for price level stabilization through manipulation of the quantity of money stock.

RALPH G. HAWTREY, an economist connected with the British Treasury from 1919 to 1937, developed a purely monetary theory of business cycle on a macro-economic concept of equilibrium. Changes in the flow of currency, in particular bank credit, cause instability in production and employment. At first, total bank credit expands as interest rates are reduced. Total demand for finished goods rises, which causes prices to rise.

Businessmen use easy money to expand their inventories. The expansion of credit thus causes incomes to rise, which eventually leads to more currency passing into circulation. And under the gold standard this currency has to be either gold coin or paper money backed by gold. But such a demand encroaches on the available supplies of gold in all gold standard countries and especially in central banks. According to Hawtrey, "the flow of currency into circulation in such circumstances is *very gradual*, and lags far

behind the expansion of credit which causes it. The result is that, if the authorities controlling credit are guided in their action by the adequacy of their stock of gold, their intervention is bound to be very tardy. And the expansion and contraction of credit are both likely to be very slow processes in a group of countries which are all made to keep pace with one another by the rather cumbersome expedient of gold movements."[6]

In short, the trade cycle which is a credit phenomenon is causes by the defects of the gold standard as a regulator of credit. Guided by their gold reserves the monetary authorities intervene too slowly first in the restriction of bank credit and then in the expansion during periods of recession. The Great Depression, according to Hawtrey, was the result of such defects. Throughout those baneful years he called for more credit expansion by the central banks as the only remedy for unemployment.[7] In 1962 Hawtrey restated his conclusion: "When we look back on the monetary experience we have had since 1932, surely the moral to be drawn from it is above all the importance of maintaining stability of the money unit. The depression of the nineteen thirties was due to the doubling of the wealth-value of gold."[8]

Similar conclusions were drawn by IRVING FISHER, the American economist who spearheaded the new neoclassicism. "The key to the business failure, and therefore the key to the depression," he wrote in 1933, "is the deflated price level; the key to the deflated price level is monetary deflation; the principal kind of money which deflates is our checking accounts at the banks."[9] This is why Fisher called for reinflation throughout the Great Depression. In particular, he urged President Roosevelt to devalue the dollar and later hailed him for having done so. In fact, Fisher went further. "We might even abandon gold altogether, and resort to a managed currency with no base but paper. Several other nations have done this to their distinct advantage."[10]

Professor Fisher had a simple explanation for business cycles. Credit currency perpetuates its own motion in a sort of vicious circle, or rather a vicious spiral—upward or downward as the case may be. But what determines the direction of the spiral? Fisher gave at least three different answers: (1) the motion springs from completely random, uncoordinated, inexplicable "frenzies of enterprise;"[11] (2) "if something big enough hits humanity" the spiral may be set into motion. A war may trigger it. According to this explanation, "the depression grew out of a boom which started in a credit currency boom, which started from a debt boom, which grew out of the World War."[12] And (3), faulty monetary management by the central bank may redirect the motion. In 1928, for instance, the Federal Reserve Board brought the speculative movement to a stop through credit stringency, which then began to be felt in legitimate business.[13]

Fisher's crusading spirit led him to be active in many fields of reform, such as health, conservation, prohibition, the League of Nations, and many others. But throughout his active life he crusaded above all for economic stabilization and monetary reform. In numerous writings he presented his plan for the "compensated dollar," a dollar of constant purchasing power, sometimes called the "commodity dollar." The conventional gold standard was to be replaced by a standard that defined the dollar in terms of constant value, which was to be determined by an index number of commodity prices of a given basket of goods. This commodity standard was to be strengthened further by "100% money," that is, a cash reserve of 100% against all demand deposits. A "Currency Commission" would issue new money and turn into cash the assets of every commercial bank so that the cash reserve of each bank would be increased to 100% of its checking deposits. The new money thus would provide an all-cash backing for the checking accounts without either increasing or decreasing the total stock of money in the country. Thereafter the banks would be required to maintain permanently a 100% cash reserve against their demand deposits. According to Professor Fisher, his plan would keep banks 100% liquid, prevent inflation and deflation, cure or prevent depressions, and wipe out much of the national debt.[14]

THE CHICAGO TRADITION

The principal successors to this train of monetary thought from Alfred Marshall to Irving Fisher were economists at the University of Chicago. Frank H. Knight, Jacob Viner, Lloyd Mints, Henry Simons and Milton Friedman have made Chicago an important center of contemporary economic thought. While Professor Knight greatly strengthened the neoclassical structure with his analysis of the role of profit in economic life, Henry Simons led a fierce attack on Keynes and his American disciples.

Simons' theory of money deserves our attention because it is clearly reflected in contemporary Chicago thought and it points up the differences between the new economics and the new neoclassicism, between the "fiscalists" and the "monetarists." In his attacks on Alven Hansen, the leading academic Keynesian, Professor Simons not only restated the framework of the quantity theory but also sharply criticized the various Keynesian schemes for recovery from the Great Depression. A virulent critic of Keynes[15] Simons nevertheless revealed a striking similarity in premise and analysis, which, in our judgment, affords a common bond not only for Professors Keynes and Simons but also all fiscalists and monetarists.[16] Surely Lord Keynes basically agreed with Professor Simons' analysis of the gold standard. In Simons' own words, "the worst financial structure is realized when many nations, with similar financial practices and institutions and similar credit pyramids (and narrowly nationalist commercial policies), adopt the same commodity as the monetary standard. When one thinks of the total potential creditor demands for gold for hoarding; in and after 1929, it seems almost beyond diabolical ingenuity to conceive a financial system better designed for our economic destruction. The anomaly of such a system is perhaps abundantly evident in the strong moral restraints and inhibitions which dissuade many people from exercising their legal rights under it. Given the vagaries of commercial, fiscal, banking, and currency policies in the various countries, and given the character of national financial structures and price rigidites, it is to the writer a source of continued amazement that so many people of insight should hold unwaveringly to the gold standard as the best foundation of national policies. The worship of gold, among obviously sophisticated people, seems explicable only in terms of our lack of success in formulating specifications for a satisfactory, independent national currency . . . ."[17]

Professors Keynes and Simons also were in basic agreement on the causes that generated the Great Depression. While Keynes lamented about the increase in liquidity and lack of investments, Simons deplored the sharp fall in velocity, which of course, are similar macro-economic phenomena. To Simons "aggregate turnover" needed stimulation, to Keynes it was "aggregate demand." But when it came to the appropriate policies to overcome the depression, Messrs. Simons and Keynes differed noisily. Keynes favored stimulation of investment by immediate government spending, while Simons advocated "definite rules of the game." He called upon government to provide a stable framework of rules for monetary authorities to follow. "In the past," Simons wrote, "governments have grossly neglected their positive responsibility of controlling the currency; private initiative has been allowed too much freedom in determining the character of our financial structure and in directing changes in the quantity of money and money substitutes."[18] To Professor Simons the rule of price-level stabilization appeared "extremely attractive" either as a definite reform or as a transition expedient toward

ultimate stabilization of the quantity of money. But no matter what rule of the game was to be adopted ultimately "the power to issue money and near-money should increasingly be concentrated in the hands of the central government."[19] It is true, Professor Simons summarily rejected the numerous Keynesian schemes that require discretionary authority rather than "rules of the game." But in spite of his virulent opposition to the new economics he took great pains in keeping even greater distance from the economic principles "to which reactionaries would have us return." For these principles "are perhaps worse than none at all."[20]

The Simons student who has captured the imagination of scores of economists and legislators is MILTON FRIEDMAN. To do justice to such a colorful man who, through his tireless work and great force of persuasion set the agenda for most economic debates of the post-World War II era, is an impossible task. We must therefore limit ourselves, in the pages allotted to this article, to a few observations on his monetary thought. After a brief presentation of his views we would like to aim our observations at the essential differences between the monetary theories of the Chicago tradition, which Professor Friedman so brilliantly represents, and the subjective theories of the Austrian School of which Ludwig von Mises is its revered elder. For these differences are greater than the similarities, which we gladly acknowledge in so many other fields of economic analysis. Henry Simons clearly perceived the gap when he rejected the economic principles to which "reactionaries would have us return." It is true, Professor Friedman has rarely directed his critical pen at the literary efforts of subjective economists. His primary target has been the Keynesian orthodoxy that continues to rule the day. With massive empirical evidence he launched a many-pronged counterattack on the new economics and demonstrated the futility of its policies. Above all, he restored money to a position of importance, which Lord Keynes and his followers had denied it in theory and policy. He emphasized the power of monetary policy and questioned the Keynesian faith in fiscal policy. He reconstructed a version of the quantity theory of money, and then reinterpreted the Great Depression in the light of his theory.

Friedman's position is at apparent odds with that of his Keynesian adversaries. Despairing about unpredictable changes in money velocity they doubt the reliability of monetary policy. In contrast, Friedman postulates a satisfactory stability of velocity, that is, a stable demand for money as a stable function of a limited number of variables that can be specified reliably. Therefore, he concludes, monetary policy can be an important factor of economic stabilization.[21] To Professor Friedman the quantity theory is as valid now as it was in the past. "There is perhaps no other empirical relation in economics" he writes, "that has been observed to recur so uniformly under so wide a variety of circumstances as the relation between substantial changes over short periods in the stock of money and in prices; the one is invariably linked with the other and is in the same direction; this uniformity is, I suspect, of the same order as many of the uniformities that form the basis of the physical sciences."[22]

The problem of maintaining economic stability is far too complex to be left to fiscal finetuners. Therefore, Professor Friedman advocates a simple rule for steady monetary expansion, which could either be adopted by the Federal Reserve System itself, or be prescribed by Congress. For maximum price level stability he recommends a rate of increase of 3 to 5 percent per year for currency plus all commercial bank deposits. The particular rate of increase is less important than the adoption of a fixed rate that lies within this range.[23] It is the role of the monetary authorities to provide a stable monetary background that facilitates reasonable economic stability. Countercyclical actions as recommended by the Keynesians usually have destabilizing effects as "there is likely to be a lag between the need for action and government recognition of this need; a further lag between recognition of the need for action and the taking of action; and a still further lag between the action and its effects."[24] But there are also considerable time lags between monetary changes and their economic effects. According to Professor Friedman, "there is a connection which is, on the average, close but which may be quite variable in an individual episode. I have emphasized that the inability to pin down the lag means that there are lots of factors about which I am ignorant. That doesn't mean that money doesn't have a systematic influence. But it does mean that there is a good deal of variability in the influence."[25]

In fact, changes in the stock of money are mainly responsible for changes in money income, which characterize the business cycles. All major depressions from the 1870's to the 1930's are explained in terms of shrinking money stock. But while Professor Friedman presents massive statistical evidence he is reluctant to develop a precise business cycle theory that would explain the causal relationships. "It is one thing," according to Friedman, "to assert that monetary changes are the key to major movements in money income; it is quite a different thing to know in any detail what is the mechanism that links monetary change to economic change; how the influence of the one is transmitted to the other; what sectors of the economy will be affected first; what the time pattern of the impacts will be, and so on. We have great confidence in the first assertion. We have little confidence in our knowledge of the transmission mechanism, except in such broad and vague terms as to constitute little more than an impressionistic representation rather than an engineering blueprint."[26] But Professor Friedman is fully convinced that the Great Depression was the inevitable result of a sharp and unprecedented decline in the quantity of money, for which the Federal Reserve System bears the main responsibility. It failed to create the necessary bank reserves that would have maintained price level stability and economic prosperity. The Reserve System did nothing, or even raised its discount rate while hundreds of banks succumbed to bank runs and losses.[27]

One of the reasons for this deplorable failure of monetary authorities to create the needed reserves, according to Friedman, was their domination by "external forces," that is, by gold movements that dictated inaction or even contraction while the internal situation called for expansion. Therefore, national independence in monetary policy is desirable and should be achieved through immediate suspension of gold payments and freely floating exchange rates. Let the price of gold be determined in the free markets of the world, and not by costly "price support" measures on the part of the U.S. Government. If the free world were to adopt such a system, Professor Friedman assures us, the countries could enjoy independence of internal monetary policy and maximum international cooperation.[28]

AUSTRIAN THEORY

Although our space does not permit us detailed discussions of epistemological differences, we cannot ignore the chasm that separates the Chicago School from the Austrian School in all matters of epistemology. For these differences leave their mark on many economic theories, in particular, monetary theory. The Chicagoans, and especially Professor Friedman, represent variants of logical positivism, while the Austrians view monetary knowledge in the light of a general theory of human knowledge, called praxeology. The Chicagoans like to don the white robe of scientists whenever they deal with economic phenomena. They are seeking knowledge of which experience is the content. Professor Friedman's "positive" economics comprises descriptions of economic reality, which hopefully provides the tools for predictions. Disagreements usually are not over ends-in-view, but over predictions regarding the effects of policies aiming at certain ends. They can be resolved by empirical evidence.[29] Austrian economists view economics in an entirely different light. To them it is a branch of praxeology which is purely theoretical and systematic. Its doctrines are not derived from experience, but are *a priori* like those of logic and mathematics, and antecedent to any comprehension of economic facts and events. Economics is not "quantitative" and does not measure human action because there are no constants in individual choice and preference. Austrian economists do not search for better technical methods of measurement because they realize its futility on ontological grounds. Statistical research into economic events offers interesting historical information on nonrepeatable data, but provides no knowledge that is valid universally. It does not afford the material of which economic theories are made, nor does it permit predictions of future events.[30]

To the Chicagoans the ultimate function of money is the measure of values. From Marshall to Friedman money has been criticized for its lack of stability, which frustrates accurate measurement and thereby precipitated grievous economic and social evils. Above all, monetary instability is held responsible for the business cycles that again and again have inflicted havoc on market economies. If only the price level could be stabilized and thus money be permitted to serve its true function! To the Austrians money is the most marketable good a person can acquire. It is never "idle," nor is it just "in circulation"; it is always in the possession or under the control of someone. The demand for money is subject to the same consideration as that for all other goods and services. People expend labor or forego the enjoyment of goods and services in order to acquire money. Thus individual demand and supply ultimately determine the purchasing power of money in the same way as they determine the mutual exchange ratios of all other goods. The quantity theory of money as understood by Austrian economists is merely another case of the general theory of demand and supply. They reject the quantity theory of the "monetarists" as a manifestation of holistic thought and a tool for government intervention.

It is true, the Chicagoans are familiar with the principles that determine individual prices. But their conclusions are drawn in the sphere of macro-economics in which the total money supply and a given velocity determine the price level. Here they call on government to take measures to stabilize the level and thus cure the business cycle. In this respect they are akin to the Keynesians who, too, seek stabilization through government manipulation. But while the Keynesians recommend compensatory fiscal policies the Chicagoans realize the futility of continuous finetuning and therefore seek long-term stabilization through a steady 3 to 5 percent expansion of the money supply. In the light of Austrian theory such an expansion of the stock of money would suffice to generate some malinvestments and maladjustments that later necessitate readjustments, that is, recessions. Professor Mises' trade cycle theory envisions economic booms and busts in every case of credit expansion, from one percent to hundreds of percent.

The magnitude of expansion does not negate its effects, it merely determines the severity of the maladjustment and necessary readjustment. Even if most prices should decline while monetary authorities expand credit at a modest rate the injection of fiduciary funds falsifies interest rates and thereby causes erroneous investment decisions. If by discretionary decision of the monetary authorities the expansion should be directed at certain industries, instead of being distributed widely over the loan market, the maladjustments would grow even more serious in the industries thus favored. In short, if the monetary authorities expand fiduciary credit and thereby lower interest rates, economic production is distorted. At first, it generates overinvestment in capital goods and causes their prices to rise while production of consumers' goods is necessarily neglected. But because of lack of real savings the investment boom is bound to run aground. The boom causes factor prices to rise, which are business costs. When profit margins finally falter, a recession develops in the capital goods industry. The recession is a period of readjustment, that is, the malinvestments are liquidated, and the long neglected consumer goods industries once again attract their proper share of resources in accordance with the true consumption-investment ratio.[31]

The monetarists actually have no business cycle theory, merely a prescription for government to "hold it steady." From Fisher to Friedman the antidote for depressions has always been the same: reinflation. The central banker who permits credit contraction is the culprit of it all. If there is a recession he must issue more money, and if there is inflation, that is, rising price levels, he must take some out. Professor Friedman himself seems to be aware of his lack of business cycle theory when he admits "little confidence in our knowledge of the transmission mechanism." He has no "engineering blueprint," merely an "impressionistic representation" that monetary changes are "the key to major movements in money income." His "gap hypothesis," therefore, is designed to fill the gap of theory and allow for the time it takes for maladjustments to be corrected. It endeavors to time the recession without explaining it.

And yet, the Chicagoans proclaim in loud voices that business recessions in general, and the Great Depression in particular, are the result of monetary contractions. Mistaking symptoms for causes they prescribe policies that would treat the symptoms. But the treatment, which is reinflation, tends to aggravate the maladjustments and delay the necessary readjustment. Thus, Chicagoan monetary policy, wherever practised, would not only prolong the recession but also cause many goods prices to rise throughout the recession. Austrian economists see the Great Depression in an entirely different light. They reject the simplicity of fiscalist and monetarist explanations and, instead, endeavor to analyze specific policies in the light of Austrian theory. In their view, the Great Depression was the inevitable outcome of a series of disastrous policies that first initiated the boom and later prolonged the depression. The first phase had its beginning in 1924 when the Federal Reserve System under the Coolidge Administration embarked upon massive credit expansion. During a short business decline the System decided to create some $500 million in new credit, which led to a bank credit expansion of some $4 billion in less than one year. The Federal Reserve System launched yet another burst in 1927 that lasted through 1928. Some $400 million in new Federal Reserve credit were created, discount rates reduced, and bank credit expansion invited. Consequently total currency outside banks, demand and time deposits in the United States increased from $44.71 billion at the end of June, 1924, to $53.4 billion in 1927, and $57.158

billion in October, 1929.[32] The United States Government thus was sowing the wind and the people were facing the economic whirlwind, which blows with the inevitability of inexorable economic law. The money and credit expansion by the Coolidge Administration made 1929 inevitable.

By 1930 the American economy had fallen in what today would be called a "recession." Under absence of new causes for depression the following year should have brought recovery through readjustment as it did in all other cycles before. What then precipitated the abysmal collapse that was to follow?

Following a long tradition of GOP hostility toward international trade the Hoover Administration began to curtail foreign imports. The Hawley-Smoot Tariff Act of June, 1930, raised American tariffs to unprecedented levels, which practically closed our borders to foreign goods. According to many economic historians, this was the crowning folly of the whole period from 1920 to 1933 and the beginning of the real depression. "Once we raised our tariffs," wrote Benjamin Anderson in his great treatise, "an irresistible movement all over the world to raise tariffs and to erect other trade barriers, including quotas, began. Protectionism ran wild over the world. Markets were cut off. Trade lines were narrowed. Unemployment in the export industries all over the world grew with great rapidity."[33] But this was not all. The Revenue Act of 1932 Doubled the income tax. It ordered the sharpest increase in federal tax burden in American history. Exemptions were lowered, "earned income credit" was eliminated. Normal tax rates were raised from a range of 1½% – 5% to 4% – 8%, surtax rates from 20% to a maximum of 55%. Corporation tax rates were boosted from 12% to 13¾% and 14½%. Estate taxes were raised and gift taxes imposed with rates from ¾% to 33½%. When state and local governments faced shrinking tax collections they, too, joined the federal government in imposing new levies. Murray Rothbard, in his authoritative work on *AMERICA'S GREAT DEPRESSION* estimates the enormous increase in the fiscal burden of government during the depression as follows: The federal costs rose from approximately 5% to 8% of Gross Private Product, and from 6% to 10% of Net Private Product. The state and local government burden rose from 9% to 16% of Gross Product, and from 10% to 19% of Net Product. Total government burden rose from 14.3% to 24.8% of Gross Product, and from 15.7% to 28.9% of Net Product.[34] In short, the burden of government nearly doubled during the depression, which alone would bring any economy to its knees.

During the Roosevelt New Deal internal regimentation triumphed over freedom. Like Hoover before him, Roosevelt wanted the federal government in the driver's seat. He was not content with clearing away the economic barriers which his predecessor had erected. Instead, he untiringly built his own, such as, a sweeping industrial reorganization by the National Industrial Recovery Act, higher income taxes, estate taxes, business taxes, the Wagner Act that revolutionized American labor relations, the Wages and Hours Act that greatly reduced labor productivity and raised labor costs, plus countless regulations and restrictions. The American economy thus would not recover from the abyss of depression into which it was first cast by the radical intervention of Republican administrations and then kept lingering by the Democratic New Deal. Individual enterprise, this mainspring of economic improvement, just did not have a chance.

In historical understanding as well as scientific method, theory, and policy the Chicago and Austrian Schools are worlds apart. To the Chicagoans money is a product of government, created and managed according to some rule of the game arrived at by political process. To Austrian economists money is a marketable commodity, such as gold or silver, that has become a widely accepted medium of exchange. It is a produc t of trade voluntarily entered upon by individuals. Banknotes and demand deposits are merely substitutes that receive their value from the money proper. These economists deplore the seizure of commodity money by government and its replacement by fiat money which is characterized by rapid inflation and depreciation. They advocate the orthodox gold standard because it makes the value of money independent of government as the quantity of gold in existence is independent of the wishes and manipulations of government officials and politicians, parties and pressure groups.

The monetarists are unanimous in their condemnation of the gold standard. But while they argue for government fiat "on purely scientific grounds," they pay lip service to monetary freedom. Professor Friedman would not deny us the freedom to buy, hold, and use gold in all economic exchanges, but paradoxically he would also impose a fiat standard. He seems to be unaware that monetary freedom would soon give birth to a "parallel standard" that permits individuals to make "gold contracts" and "gold clauses" calling for payment of measures of gold. Thus individual freedom alone, needing no reform law, no conversion or parity, no rule of the game, would lead us back to the gold standard as free individuals would prefer gold over government paper.[35]

Under the steadily growing influence of Chicagoan monetary thought the U.S. Government may some day soon remove the last vestiges of the gold-exchange standard. Both the fiscalists and monetarists would rejoice about this triumph of fiat money over gold. But to Austrian economists such a step would merely divide the free world into currency blocs and invite more inflation and depreciation. It would merely be another chapter in the age-old struggle between monetary freedom and governmental control. □

NOTES

[1] *INVESTIGATIONS IN CURRENCY AND FINANCE*, (London, 1884) p. XXIV.

[2] *Ibid.*, p. 104

[3] Cf. also "An Ideally Perfect System of Currency" in *INVESTIGATIONS IN CURRENCY AND FINANCE*, pp. 297-302; "The Variation of Prices and the Value of the Currency Since 1782," *ibid.*, pp. 120 ff.

[4] *OFFICIAL PAPERS* (London: Macmillan & Co., 1926) for the Royal Economic Socity, pp. 10-12; Also *MONEY, CREDIT AND COMMERCE* (N.Y.: Augustus M. Kelley reprint, 1923) p. 36. According to Marshall, "An official index number, representing average movements of the prices of important commodities, might well afford the basis for a Unit of general purchasing power, in terms of which long-period obligations might be expressed: and in this matter the State might advantageously lead. The Unit would be derived from an official price list by adding together the prices of certain quantities of wheat, barley, oats, hops, beef, mutton, tea, coffee; together with staple timbers, minerals, textile materials and fabrics and so on. A new contract for interest on loans and other long-standing obligations might then be arranged by free consent of both parties to it in terms of the standard unit, instead of money."

[5] *MONEY, CREDIT, AND COMMERCE*, p. 43 *et seq.* his theory was later put into the form of a quantitative equation by Professor Pigou in *QUARTERLY JOURNAL OF ECO ECONOMICS*, Vol. XXXII, Nov., 1917 1917.

[6] *THE GOLD STANDARD IN THEORY & PRACTICE* (London: *Longmans, Green & Co., Ltd., 1939, 4th ed.) pp. 101, 102, 121, 122; cf. also CURRENCY AND CREDIT* (London: Longmans, Green & Co., Ltd., 1927, 3rd ed.) pp. 156 *et seq.; MONETARY RECONSTRUCTION* (London: Longmans, Green & Co., Ltd., 1926, 2nd ed.) p. 156; *TRADE AND CREDIT*, (London: Longmans, Green & Co., Ltd., 1928) p. 82 *et seq*.

[7] *THE ART OF CENTRAL BANKING* (London: Longmans, Green & Co., Ltd., 1932) pp. 446 *et seq*.

[8] *A CENTURY OF BANK RATE* (New York: Augustus M. Kelley, 1962, 2nd ed.) p. xxi.

[9] *MASTERING THE CRISIS* (London: George Allen & Unwin, Ltd., 1934) p. 21.

[10] *INFLATION* (London: George Allen & Unwin, Ltd., 1934) p. 91.

[11] *MASTERING THE CRISIS*, p. 37. Professor Fisher apparently applied this version of trade cycle theory to his own financial transactions. He was caught unaware of the 1929 stock market crash and remained bullish throughout the decline. Although he enjoyed great reputation as an economic forecaster he failed to foresee the depression and therefore lost his sizeable fortune. Cf. Irving N. Fisher, *MY FATHER, IRVING FISHER* (N.Y.: Comet Press, 1956). According to his son, "the 1929 stock market crash caught him unawares. Placing his faith unreservedly in the 'new economic era' he did not foresee that it was destined to collapse like a house of cards." p. 242. Between 1929 and 1933 Fisher lost an eight to ten million dollar fortune which he had pyramided on his wife's blue-chip inheritance and was left with an ultimate debt of three-quarters of a million dollars to his aunt. A committee of a lawyer and two nephews finally handled his intricate debt relationship. pp. 264-267.

[12] *INFLATION*, p. 80.

[13] *STABILIZED MONEY*, ibid., pp. 259-262.

[14] *100% MONEY* (N.Y.: Adelphi, 1935) pp. 8-9.

[15] according to Simons, "attempting mischievous and salutory irritation of his peers . . .e (Keynes) may only succeed in becoming an academic idol of our worst cranks and charlatans—not to mention the possibilities of the book as the economic bible of a fascist movement." Cf. "Keynes' Comments on Money," *CHRISTIAN CENTURY*, July 22, 1936, pp. 1016, 1017.

[16] See Milton Friedman, "The Monetary Theory and Policy of Henry Simons," *JOURNAL OF LAW & ECONOMICS*, Vol. X, Oct. 1967, pp. 1-13.

[17] *ECONOMIC POLICY FOR A FREE SOCIETY* (Chicago: The Univ. of Chicago Press, 1948) p. 168.

[18] *ECONOMIC POLICY*, pp. 161, 162.

[19] *Ibid*,. p. 180.

[20] *Ibid*,. p. 176.

[21] Milton Friedman & David Meiselman, "The Relative Stability of Monetary Velocity and the Investment Multiplier in the United States, 1897-1958," *STABILIZATION POLICIES* (The Commission on Money and Credit, Prentice-Hall, Inc., 1963). Also Milton Friedman, "A Monetary and Fiscal Framework for Monetary Stability," *AMERICAN ECONOMIC REVIEW*, June 1948, reprinted in *ESSAYS IN POSITIVE ECONOMICS* (Chicago: Univ. of Chicago Press, 1953) pp. 133-156 and "Has Fiscal Policy Been Oversold?" *MONETARY VS. FISCAL POLICY*, A Dialogue between Milton Friedman and Walter W. Heller (New York: W. W. Norton & Co., 1969) pp. 43-62, 71-80.

[22] *STUDIES IN THE QUANTITY THEORY OF MONEY* (Chicago: Univ. of Chicago Press, 1956) pp. 20-21.

[23] *A PROGRAM FOR MONETARY STABILITY* (Chicago: Univ. of Chicago Press, 1953) p. 91.

[24] *ESSAYS IN POSITIVE ECONOMICS* (Chicago: Univ. of Chicago Press, 1953) p. 315.

[25] *MONETARY VS. FISCAL POLICY, ibid*., p. 76. For further details on his lags hypothesis cr. *ESSAYS IN POSITIVE ECONOMICS, ibid*., pp. 133-156.

[26] *THE OPTIMUM QUANTITY OF MONEY AND OTHER ESSAYS* (Chicago: Aldine Publishing Co., 1969) p. 222.

[27] Milton Friedman & Anna J. Schwartz. *A MONETARY HISTORY OF THE UNITED STATES, 1867-1960* (National Bureau of Economic Research, Princeton University Press, 1963) p. 300.

[28] "The Case for Flexible Exchange Rates," in *ESSAYS IN POSITIVE ECONOMICS, ibid*., p. 157-203; also si,A PROGRAM FOR MONETARY STABILITY, ibid., *pp. 81-101.*

[29] Milton Friedman, *"The Methodology of Positive Economics," in POSITIVE ECONOMICS, ibid*., pp. 3-43.

[30] Ludwig von Mises, *HUMAN ACTION* (New Haven: Yale University Press, 1949) p. 30 *et seq.; also his THEORY AND HISTORY* (New Haven: Yale University Press, 1957) p. 240 *et seq.; EPISTEMOLOGICAL PROBLEMS OF ECONOMICS* (Princeton, N.J.: D. Van Nostrand Co. 1960); *THE ULTIMATE FOUNDATION OF ECONOMIC SCIENCE* (Princeton, N.J.: D. Van Nostrand Co., 1962); Friedrich A. Hayek, *THE COUNTER-REVOLUTION OF SCIENCE* (Glencoe, Ill.: Free Press, 1952).

[31] Cf. Ludwig von Mises, *THE THEORY OF MONEY AND CREDIT* (first German edition in 1912; English ed. New Haven: Yale University Press, 1953) p. 365 *et seq*.; also *HUMAN ACTION, ibid*., p. 535 *et seq*.; also F. A. Hayek, *MONETARY THEORY AND THE TRADE CYCLE* (first German edition in 1929; English ed. A. M. Kelley, 1966); *PROFITS, INTEREST AND INVESTMENT* (London: G. Routledge and Sons, 1939).

[32] Milton Friedman & Anne J. Schwartz, *A MONETARY HISTORY OF THE UNITED STATES, 1867-1960, ibid*., pp. 711, 712.

[33] *ECONOMICS AND THE PUBLIC WELFARE* (Princeton, N.J.: D. Van Nostrand, 1949) p. 225.

[34] *AMERICA'S GREAT DEPRESSION* (Princeton, N.J.: D. Van Nostrand, 1963) p. 303.

[35] Cf. Hans F. Sennholz, *INFLATION OR GOLD STANDARD* (Lansing, Mich.: Constitutional Alliance, 1970). □

foreign correspondent

From time to time REASON will feature a report on recent events overseas. Our first foreign correspondent is N. Guillermo Molinelli, a resident of Buenos Aires, who covers Arentine ideological and political trends of the past year locally and in Latin America generally.

REASON has a correspondent in Belgium and discussions are under way with potential correspondents in England and India. Subscribers in other countries who may wish to become correspondents should contact the editor. Libertarian ideas know no national boundaries, and REASON is interested in cultural developments anywhere on Earth.

NEWS FROM ARGENTINA

From an *ideological* viewpoint, the main current of thought here, the one more aggressive and growing, with a deep and wide response among intelligent university students, is Marxism. Also, existentialism (Heidegger, Jaspers, Sartre, Marcel) is influential. Neo-thomism is in retreat. Objectivism, of course, does not exist. Latest fads: structuralism (Levy-Strauss, Chomsky), "the young Marx." Cohen and Natorp have some small influence, especially among some philosophers of law.

On a *political* level, we are living under a military regime. This is *not* to say that we are subjected to a tyrannical and corrupt dictatorship or a quasi-operetta system like the one prevailing in Greece. In general, at the same level of democratic regimes of "civilized" countries (with the exception of the USA) individual rights are more or less respected (meaning briefly "habeas corpus" does exist, independence of judicial power is a fact, and interventionist policies within economic conduct are no worse than those prevailing in those countries usually called civilized. We reached this stage because of a great division among the followers of a populist movement (Peronismo, after Dictator Perón) and its archenemies, who could not stand the possibility of a Peronist ever achieving political power again. Of course, Peronism was led—at times—by leftist leaders which caused justified fears of a return to a new dictatorship. In this fashion, democratic rules of the game ("If you win, I shall be the loyal opposition until next elections, etc.") did not work. At the same time,—and an essential element of this analysis—an inflationary economy prevailed despite two unsuccessful attempts to call it to a halt (due to the impatience of people to stand the consequences of a "recession"). This inflation, of course, made the political situation even worse, originating a deep social unrest and discouraging further investment, outflow of capital toward the US and Switzerland, and, therefore, not contributing toward the development of this potentially wonderful country.

In this situation, the Army proposed to achieve "order" and "development." They abolished all political parties (a measure *not* much regretted by the people, because of their general lack of prestige), initiated a new effort to stop inflation, and planned a move toward economic growth. Plus—no elections for approximately ten years. Culturally, the regime suffers a certain (small) neofascist influence. Economically, it is predominantly conservative (*not* libertarian) and has almost succeded up to now in decreasing the rate of inflation. At the same time, and this is a very good promise, Peronist vs. antiperonist frictions are cooling, due, in some degree, to a definite conversion of Peronist union leaders into a "bourgeois" mentality. Latest news: an internal coup d'etat has apparently erased the neofascist influence. On the other hand, it seems to be more interventionist, economically. I believe they shall call elections within the next three to five years.

Now, what is the role of libertarians in this analysis? None. We don't exist. There was a small group of businessmen who created a FEE-like organization. I say "was" because its influence, always very small, is almost dead by now.

The future, if there is any, lies, as seems also in the case of the United States, in youth. As I stated above, Marxism is the prevalent trend in this regard. Our only chance (and *very* long range) is to develop a small but coherent group of objectivist-oriented social scientists. I am in this course.

Now, I think the charges that U.S. investments are destroying Latin America, are dead wrong. There is nothing new about them, except a new presentation of the old theme of American Imperialism.

Speaking of *private* investments, the charge currently in vogue is that you repatriate more profits every year than the investments made the same year. They say, continuing the argument, that more money goes out of Latin America into the United States than the other way around. You are *exploiting* us, instead of *helping* us; we are providing you with raw materials—cheap—in exchange for expensive industrial products (this is also the core of the prevalent "damage in terms of exchange" argument). To arrive at the said conclusion, certain economists compared the annual rate of repatriated profit and the annual amount of investments. Strictly speaking, the former is more than the latter, but that does not mean anything relevant. What should be compared are the repatriated profits with the total value of U.S. private investments which originate such profits, and the conclusion is less than a 10% return, which is not so much. Also, U.S. investments help to promote exports (in 1965, U.S. investments on manufacturing activities originated $411 million in exports).

On the other hand, let's not be naive. Some private U.S. investments were adventures of a piratical nature, backed by coercion and cheating. The record, regrettably, is not clear in this regard. The American Government—especially in Central America—has not been a restrained power, the Big Stick being remembered you-may-imagine-how.

On the state-to-state-aid level, the Alliance for Progress being its monument, the issue should urgently be clarified both in Latin America and in the United States. The Alliance has been a failure, originating wild expectations, impossible to fulfill, which did not exactly contribute to social peace. On the other hand, some of its programs are not *that* bad for the United States, since the money *lent* is usually given with several restrictions in its use, requiring that it be used to buy American goods. This is not to say that it should be encouraged. On the contrary, it should be abolished, gradually. What is needed, fundamentally, is the end of the protectionist system of tariffs and quotas discriminating against Latin American goods. This would be more beneficial—to everybody, you and us—than millions and millions of dollars. □

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trends

This column reports significant events, publications, and analytical findings associated with the growing rejection of corporate liberalism and the concurrent rediscovery of laissez-faire principles. By reporting and publicizing such items, the REASON community can help ensure that they do indeed represent trends, not merely isolated instances. Readers are invited to submit material for this column.

WAGE/PRICE CONTROLS: HOW'S THAT AGAIN?

One of the ironies of Nixon's imposition of the wage-price freeze is that on the 8th of August—just a week before the freeze was announced—Paul McCracken, chairman of the Council of Economic Advisors, had published a ringing denunciation of the whole idea. McCracken's article made a number of excellent points. General wage and price control "would be a serious threat to individual freedom," he wrote, and the controls "would be political and bureaucratic" rather than objective and analytic, as claimed by proponents. "The idea of a *freeze* is illusory," he continued. "Wages and prices would be in upward motion from the first day," and the pressure would continue due to contractual wage increases and the raising of inflationary expectations.

McCracken's strongest words, however, were reserved for John Kenneth Galbraith's support for the idea of *permanent* wage and price controls. "Believing that prices are only labels stuck on real things with no other function than to extract income from consumers," McCracken wrote, "Galbraith of course has no hesitation about 'interfering' with these prices. This view of the function of prices and how to keep them from being 'too high' was of course common for centuries until people began to study the question with some theoretical rigor and empirical evidence. It is still common among uneducated people. Galbraith's view is unusual only in being held by the president of the American Economic Association and in being described by him as new."

All of which of course now applies equally well to Mr. McCracken.

The response of most economists to the freeze has largely been one of silence. Dr. Murray Rothbard, as expected, issued a strong statement denouncing the controls. In addition, a statement terming wage and price controls "inequitable, wasteful, inefficient, and destructive of personal freedom" and calling on Nixon to rescind them was signed by 16 economists, including William R. Allen, James Buchanan, Anna J. Schwartz, and Gordon Tullock. The controls "cannot and will not prevent inflation," the statement said. "For a time controls hide the effect of inflation from the public and mislead many into believing that something useful has been done. This is an illusion . . ."

SOURCES:

"Wage-Price Control: A Tempting Illusion," *LOS ANGELES TIMES*, 8 August 1971.

"Is This the Death of the Free Market?" *ROCKY MOUNTAIN NEWS*, 22 August 1971.

"Economists Ask President to Rescind All Controls," New York Times News Service, 25 August 1971.

GRANTING DEGREES FOR PROFIT

For over a hundred years there have been two kinds of colleges—"public" ones financed by taxes and private (nonprofit) colleges. In the face of this long tradition, an organization has now had the audacity to announce its intention to grant degrees on a profit-making basis. The upstart company is none other than Arthur D. Little, the Cambridge, Massachusetts, think tank (see *REASON*, June 1971, on the role of think tanks in social change). In January, ADL applied to the Massachusetts Board of Higher Education for permission to award degrees in two of the courses in management it has been giving for a number of years. The request must first clear the State Attorney General's office, to determine if any existing Massachusetts laws stand in the way. If it passes that test, then the Board's task will be merely to judge the degree-worthiness of the courses.

According to *TECHNOLOGY REVIEW*, "the ADL proposal is reported to have some people in the academic world a little worried." And well they might, for if ADL can make college-level education a profitable business, it will have rent the veil of the academic mystique and made it clear that providing educational services is little different in principle from any other service industry. ADL's bold plan could foreshadow a major shakeup in the higher-education market.

SOURCE:

"Cap and Gown for ADL?" *TECHNOLOGY REVIEW*, February 1971, p. 64.

NEW LIGHT ON OLD AID

Although many radical critics of the corporate state have pointed out that most foreign aid money is spent in the United States and that the program serves primarily as a subsidy to many U.S. corporations, little attention has been directed at the question of whether foreign aid *in fact* achieves its alleged goal of helping move underdeveloped countries toward prosperity. This year, however, as the government's aid budget showed the first increase in many a year, increasing attention has been given to an analysis by Professor Harry Johnson of the University of Chicago and the London School of Economics.

In a speech at the University of Edinburgh, and more recently in a report published by the Chase Manhattan Bank, Prof. Johnson sharply criticized the World Bank's 1969 Pearson Report (an effort to revive enthusiasm for foreign aid). The report, says Johnson, was "the inevitable result of the conflict between moral conceptions and the facts of reality that arises with any charitable operation such as development aid . . ." There is a real question, Johnson wrote, "whether development aid has promoted or retarded development . . ." There is evidence that aid has encouraged countries "to pursue counterdevelopmental policies and permitted them to preserve archaic social and political structures, and so has retarded, rather than promoted modernization." The constructive potential of aid was "grossly exaggerated, and the powers of free competition to promote growth were unduly discounted."

Johnson forecasts a decline in governmental aid, displaced by "an increased dependence on the private market mechanisms of economic development, as contrasted with governmental planning and control of the development process." A major vehicle for such development will be the multinational corporation, "a powerful agency for the transmission of technological progress and the reallocation of capital resources from the rich to the poor countries . . ."

SOURCE:

"Does Foreign Aid Promote Growth?" by John Cunniff, Associated Press, 23 April 1971. □

RETURN to reason

RETURN TO REASON by Paul Lepanto, New York: Exposition Press, 1971, 154 pp., $6.00.

When taken in terms of its explicit purpose, i.e., as "a layman's introduction to, and organized treatment of, the philosophy of objective reality," this work accomplishes its task excellently. Mr. Lepanto has done Objectivism and Ayn Rand a great service. He may be justly proud of himself for doing what so many of the "official" students of Objectivism have not done, namely explaining Objectivism on an introductory level without pomposity, hostility, defensiveness or spite.

This is indeed an organized work. The author develops the exposition through a natural flow of the problems of philosophy, as this would seem most reasonable to any introductory student of any system of philosophical ideas. He is aware of the few interruptions he makes within that flow, as for example his discussion of the concept of "morality" only after he has treated the topics of "Values" and "Reason, Purpose, Self-Esteem."

Lepanto explains that "Just as a student beginning a study of physics may find journals of physics a bit over his head until he has studied the basics, a student of Objectivism may experience a need for a basic non-fictional treatment of the philosophy so that he can better profit from *THE OBJECTIVIST* and from books like *THE VIRTUE OF SELFISHNESS* . . ."

Because of its purpose one oughtn't treat this book as a detailed philosophical argument. There are no grand claims of originality as there have been in other works so called admirers of Miss Rand have written. There is no trace of belligerence or condescension. Lepanto's work is just what the doctor ordered—with perhaps a few spots that could be touched up. These I want merely to point out and not belabor, for Mr. Lepanto should not even get the impression that I regard his accomplishment any less than excellent.

Unfortunately the second sentence of the book tells us that "For several years, I have been a student of the *only* rational school of contemporary philosophy: Objectivism." (my emphasis). Mr. Lepanto is largely right—but that is different from his having the logical right to say what he does. He does not establish such a claim in his book and should therefore, avoid making it. Otherwise one only offends the interested but critical reader.

Then the title of the book should really have been "Advance to Reason." The conception of "reason" offered in Objectivism and by Mr. Lepanto is different and more comprehensive than what is commonly understood by the term. "Return" makes it appear that Objectivism is a rehash or remnant of the past. In the past, however, reason was understood primarily as a purely intellectual cognitive tool, divorced from—even in conflict with—man's senses.

There is no emphasis of what, to my knowledge, is one of the chief merits of Miss Rand's epistemological theories, namely contextualism. This is a small failing but still of some importance in view of the role contextualism plays in the success Objectivism has against serious and/or shallow skeptical challenges—something a beginning student might find very useful in his upcoming trials in his encounters with philosophical discussions.

Since my focus of attention has been on the theory of human rights within the last few months, I was especially aware of Mr. Lepanto's remark that "At best the phrase 'human rights' is redundant"(p. 117). He argues for this by saying that "it implies the existence of some of non-human [*sic*] rights (in which category the enemies of property rights inevitably place such trivial matters as production, ownership, and trade). The notion of non-human rights is akin to the notion of non-round circles"(p.118).

Of course there could be nonhuman rights—Nathaniel Branden himself has mentioned that some trouble exists about whether there might not be rights of animals. But aside from this, the category of "human" need not simply serve to distinguish the human from the non-human but the human from the special rights people may have. Thus the right to vote in a labor union election is a right but not a human right—one does not possess that right solely by virtue of being a human being but because of additional, special circumstances. Such a right could, for instance, be lost by some set of circumstances, whereas human rights cannot without the loss of one's humanity.

Also, in connection with Mr. Lepanto's treatment of rights he says that "The only man who can set a man's rights aside is that man himself"(p.109). He also remarks that "When one man tries to violate the right of another, he implicitly abdicates his own right"(p. 111). Because the notions of "set aside" and "abdicate" are ambiguous, these remarks could be misleading. The first remark can be taken to imply that a man may choose to lose his human rights—that he can alienate himself from his own rights. Actually, no man can do this—what he can do is to deprive himself of the opportunity to act on his rights as in normal circumstances, i.e., having done nothing that warrants paying for something he has in fact done, namely violate another's right(s). It is the opportunity to exercise one's rights that a person deprives himself of when he acts criminally; he does not lose his human rights. So a man can only set aside or abdicate what would ordinarily (without his criminality— be considered justified exercise of his rights.

Having pointed up some of the troublesome areas of Mr. Lepanto's work, let me hasten to add that there are a number of valuable insights in this book not found elsewhere in the literature on Objectivism. For example, Mr. Lepanto comments upon intuition (p. 61), a phenomenon most students of Objectivism deny because of its affinity with certain mystical notions. He tells us that "What we call intuition is certainly an instance of subconscious assistance to the conscious mind," which is to bring to mind that there need be nothing mysterious about intuitions and certain intuitive people. The brief coverage of art (pp. 56-58) is very good. It makes the point of the assessability of the overall artistic merit of artistic works succinctly, without the sometimes unfortunate hostility some Objectivists, including Miss Rand, insist on, vis-a-vis most creations of art.

I conclude, I find this book a welcome addition to my own library and to the books I might have occasion to use as a college text for introductory classes in philosophy. I am sure others will, too. □

TIBOR R. MACHAN

publisher's notes

• Objectivist-libertarian financial analyst Alan Greenspan testified before Congress against the government's plan to bail out Lockheed. His views were given wide publicity the same week when the Sunday *NEW YORK TIMES* published his article "Opening Pandora's Box—New RFC Could Reach Staggering Dimensions" (25 July 1971). The text of the article was inserted in the Congressional Record by Senator James Buckley (C., N.Y.).

• Other libertarians who have been active in putting their views before the public include William Susel and Charles Barr, two of the founders of "Libertarian Alternative." This Los Angeles-based group is designed to promote actively "voluntary free-market alternatives to government intervention in social problems." On 13 August Mr. Barr appeared on radio station KWIZ in Santa Ana to speak against the Lockheed loan guarantee. On 23 August Mr. Susel was permitted to speak on KNXT (the Los Angeles CBS television affiliate) to reply to the station's editorial support for Nixon's wage and price controls. Susel delivered his forthright statement against controls to a viewing audience estimated at *one million* persons. Readers interested in forming a similar group may wish to contact Libertarian Alternative (Box 38182, Hollywood, CA 90038) for pointers.

• The fall 1971 catalog of Nash Publishing (9255 Sunset Blvd., Los Angeles, CA 90069) describes several new releases of interest to libertarians, including Professor John Hospers' long-awaited *LIBERTARIANISM*, Professor Bruno Leoni's *FREEDOM AND THE LAW*, and a new edition of Murray Rothbard's classic *MAN, ECONOMY, AND STATE*. The catalog is available at no charge.

• Useful background material on the role of government licensing in the current health-care crisis is provided in Reuben Kessel's article "The A.M.A. and the Supply of Physicians," in *LAW AND CONTEMPORARY PROBLEMS*, Spring 1970, pp.267-83 (Duke University School of Law, Durham, N.C. 27706). See also the same author's earlier "Price Discrimination in Medicine," *JOURNAL OF LAW AND ECONOMICS*, Vol. 1, 1958, p. 20 (University of Chicago Law School, Chicago, Ill. 60637).

• Connecticut has joined Pennsylvania in passing and quickly removing an income tax. In Connecticut's case, popular outcry forced the legislature back into a special session at which they and Governor Thomas Meskill agreed to the tax's repeal, barely 54 days after it had been enacted!

• In case you were wondering what causes young people to act as they do, evangelist Billy Graham thinks he's figured it out. A recent UPI story read as follows: "'Satan worship is spreading fast,' Dr. Billy Graham contends and could be the reason for sexual immorality and drug use among young Americans . . .'Some wear horns, warlocks, and astrological signs and protect their images of demons.'" Now we know.

letters

REYNOLDS' "PURGE" CONSIDERED

This is being written to comment on Alan Reynolds' "The Purge of Chicago Economists." (*REASON*, July 1971).

Reynolds says " . . .Rothbard feels that the notion of 'neighborhood effects' is invalid because it is subject to abuse (the unpaid benefit of watching mini-skirts). To reject neighborhood effects, however, is to say that there are *no* benefits or costs that escape market pricing—a patently untenable position and one which is inconsistent with Rothbard's own argument that polluters should be liable for damages."

Rothbard, as I understand him, does not claim that *no* benefits or costs escape market pricing; he claims that those benefits and costs which affect exchangeable goods depend either on market pricing or on physical interference with another's property (or the threat of such interference). The concept of a "neighborhood effect," in Rothbard's view, is invalid because it lumps together those benefits and costs which are based on coercion—e.g., polluting another's property, certainly a physical interference—with those which involve nothing except a change in some men's subjective valuations of opportunities, and proposes to "correct" both by the use of force—which in one case would involve using force against aggressors, in the other against peaceful men, thus blurring the distinction between aggression and proper liberty which Rothbard regards as essential to a peaceful society and thus to the market. *If* by "the market" one understands a society in which all aggression is excluded, then the idea of a "neighborhood effect" is simply of no relevance; because all "neighborhood effects.' based on aggression—among which pollution can be included—would be stopped, and all those involving non-exchangeable goods such as the sight of a girl's legs would simply be outside the sphere of exchangeable goods. To propose to "correct" the first would be redundant, since they would already *be* corrected—see Demsetz' "Toward a Theory of Property Rights," reprinted in *LIBERTARIAN CONNECTION* 12, for an analysis of how property rights resolve externalities—and to propose to correct the second would be to suggest action on a principle which could justify prosecuting Roman Catholics for the mental discomfort they cause to Nietscheans such as myself, or vice versa, or both.

Finally, to call Rothbard's view "patently untenable" is not a proof or even an attempt at one. Too many views which deserve careful consideration are dismissed in this way. If Reynolds would care to identify the categories of events which he regards as showing that Rothbard's view is untenable, then perhaps he could make possible some coherent discussion, rather than philosophical name-calling.

William M. Stoddard
Sunnyside, Calif.

Alan Reynolds, in his article "The Purge of Chicago Economists" (*REASON*, July), brought out some good points, but in regard to his sneering attitude toward Murray N. Rothbard's "all-or-nothing games:" the lesser-of-two-evils approach championed by Mr. Reynolds leaves much to be desired, as well. "I see no objection to probable improvement by gradual

steps," says Mr. Reynolds, but how "probable" are these "improvements," when considered in the context of the "real institutions and real people" he mentions?

Criticisms of Friedman often take the form of attacks on "some perversion of the original proposal," wails Mr. Reynolds. But isn't the fact that these "proposals" are subject to "perversions" a valid criticism in itself? Tuition vouchers and the negative income tax are two such Friedman proposals which are open to a myriad of perversions and are likely to lead to *more*, rather than *less*, government. One should think twice before calling them (or their proposer) "libertarian."

While no sensible person expects the State to vanish overnight, let us not, like Zeno, be caught up in a never-ending succession of half-way measures. When faced, for example, with someone who advocates the death penalty for publishing something in a newspaper, are we to hail as a "libertarian reformer" someone who offers a 99-year prison sentence?

Michael Hoy
Rose City, Michigan

D. FRIEDMAN ON BANKING

I enjoyed Mr. Reynolds' able defense of my father against Murray Rothbard. Most of it I agreed with; certainly me father holds very few of the views that Rothbard attributes to him.

But there are several points where I must disagree with Mr. Reynolds, all involved, directly or indirectly, with his attack on free (unregulated, nongovernmental) banking.

I am not an expert on the history of free banking in this country in the latter nineteenth century, but two points should be made. First, although there may have been financial crises, free banking, so far as I know, caused nothing quite comparable to the depressions of the 1830s and 1930s. As Mr. Reynolds himself points out, we must compare the various reasonable alternatives to each other, not to some ideal of perfection. Second, the difficulties Mr. Reynolds discusses with regard to private banking are mostly the results of poor communication and poor information handling. Those are areas in which there has been enormous progress over the last century. If free banking worked reasonably well in 1879, it would surely work far better in 1979.

As to counterfeiting, American Express seems to solve that problem with greater ingenuity than the U.S. Government. If you accidentally dump your travelers checks in the washing machine (or intentionally try to erase the signature at the top of the check) the checks come out marked INVALID along the top edge. It's easier to see than the difference between real Fed notes and free market ones.

Of course, the costs of preventing counterfeiting may constitute an economy of scale; if so, the market will respond by producing fewer varieties of money than would otherwise be optimal.

But Mr. Reynolds makes, I think, a much more serious error, one he shares with both Rothbard and Mises. He implicitly assumes a fixed price of zero, paid by the bank to those who hold its money (and thus give it an interest free loan). If the price for producing money is fixed at zero (above its *negative* market level), of course banks will "want" to produce too much. Under competition, would banks not have to provide "interest bearing money," in the form of either interest bearing checking accounts or money whose redemption value was guaranteed to rise, year by year?

If so, the old incentive for inflation disappears. Banks will "produce" money until marginal cost equals marginal income, just like anyone else produces anything else.

Under such a system (assuming currency rather than checks), there would be a steady slow price deflation, one just sufficient to keep the money interest rate at about zero (neglecting the overhead costs of the banks producing the money). Deriving this result I leave as an exercise for the reader. It corresponds to exactly the behavior of the money supply which my father argues is "optimum" in *THE OPTIMUM QUANTITY OF MONEY AND OTHER ESSAYS.*

The title essay, incidentally, refutes both Rothbard's contention that my father is an "inflationist" and Reynolds' belief that *no* ill effects follow from an increase in the supply of money just sufficient to maintain a stable price level.

David Friedman
Chicago, Illinois

AUTHOR REYNOLDS REPLIES

Mr. Stoddard's observation that some costs and benefits "simply" aren't exchangeable describes the essence of neighborhood effects: namely, the prohibitive cost of noncoercively collecting for very real benefits (mosquito control) or for even unforced injuries (noise). Chicago economists, such as Demsetz, Coase, and Tullock, were first to explore ways of bringing such activities into the market (often through clarified property rights), while emphasizing the negative externalities inherent in coercive political solutions.

To say that polluters should be liable for damages is to say that polluters impose costs which cannot be compensated for by market pricing: i.e., there is a neighborhood effect! Rothbard then proposes to "correct" for such nonpayment "by the use of force." If I call the agency which arrests and punishes such polluters a "protection agency" and don't mind a bunch of such agencies competing in the sale of force, I will be hailed an "Anarchist." If I perfer one agency—with the same duties—and call it a "state," apparently I'm a "Statist." It's a touchy teeter-totter.

Mr. Hoy apparently concedes that Dr. Friedman's proposals may be the "lesser-of-two-evils" available. Why then should we not support these proposals and continue such choices between available alternatives until we reach the "least evil"; Is it not accurate to characterize the opposite approach as "all or nothing"? And won't it, in fact, be *nothing*?

Rothbard's proposals (competing police, uncontrolled coinage, tort-liability for polluters, etc.) are surely subject to perversions too, though I wouldn't consider this a fair, direct criticism of his ideas. Incidentally, Friedman never asked to be hailed a "libertarian reformer," but neither has he deserved to be called a "statist."

I don't believe David Friedman's father shares his son's desire to abolish central bank monopolization of currency issued—probably because free banking did *not* work "reasonably well" in the last century (compare 1884-1907 with 1948-1971).

When interest was legally paid on demand deposits, it wasn't always offered. Checks didn't just disappear, as David Friedman's theory would predict, because there are many reasons, other than yield, for holding liquid assets. When few people are borrowing and many are saving, even freely competing banks may well charge a service charge for the use of their check-money. Thus, there is no reliable automatic force keeping currency and demand deposits within the 1-2% optimum growth. 100% gold reserves for bank notes and checking accounts might prevent *massive* fluctuations, but converting to such a system (with our $11 billion gold stock) would require a sudden and catastrophic price deflation.

My remark about "no ill effects" arising from price-level stabilization referred only to Misesian objections to such so-called "inflation" when it is obviously price *increases* that they're talking about (e.g.,

only price-inflation taxes fixed incomes and monetary creditors, and generates monetary collapse). There may be ill effects (or good effects) arising from artificially depressed interest rates, although prices remain stable. Much depends on whether the effects are anticipated, as I show in my forthcoming article "Case Against Wage and Price Controls," in *NATIONAL REVIEW*.

To favor eliminating, rather than restraining, central bank power requires more of a leap of faith than I am prepared to take without seeing the details worked out. At the very least, some sort of rule (say, zero to two percent) for monetary growth would surely be an improvement over existing discretion and would deserve the provisional support of even the most ardent free banking advocate.

Alan Reynolds
Sacramento, Calif.

COUNTERINTUITION?

I have with great interest read Dr. Jay W. Forrester's two-part paper on "Counter-intuitive Behavior of Social Systems" (*REASON*, July and August 1971). Personally I have never studied this field, but I have run wargames on computers and know the field fairly well.

The first thing which strikes one from the published curves are the violent fluctuations which appear, especially in pollution. Whenever this appears, one looks for the reason of the instability: there must be a strong positive feedback somewhere. The object of control must not be in selecting suitable initial conditions, as the author has tried, but in breaking the feedback loop. (It may also be thought that such a strong positive feedback is improbable and that there is a serious error in the model, perhaps some none-linear terms are missing.)

Another matter which I must mention is that one should never believe the absolute values predicted by a simulation: there are too many erroneous assumptions in even the best model. One can, however, trust the direction of changes predicted when conditions are changed, assuming the model is reasonably realistic.

Dr. Forrester's predictions are fascinating and his prediction that his field soon will be researched thoroughly will certainly come true, but without independent confirmation I do not believe in a catastrophe of such rapidity.

Dr. Jan V. Garwick
Manhattan Beach, Calif.

ATLAS ARTICLE SCORES

As one who has had his subscription to Ayn Rand's *THE OBJECTIVIST* cancelled in response to a critical letter, I was very interested in Dennis J. Chase's article "Atlas Shrugged at Me" (*REASON*, July 1971). My letter criticized Miss Rand's dismissal of ecology as a valid contemporary issue. (See "The Left: Old and New," by Ayn Rand, *THE OBJECTIVIST*, February 1970). Miss Rand assures us that environmentalists are actually Leftists intent on the destruction of American technology. "The real motive behind the anti-pollution campaign is stated all but explicitly: 'As the decade advances, it will become clear that if the ecological effort is to succeed, much of today's existing technology will have to be scrapped and something new developed in its place.' . . ." Miss Rand goes on to describe the horrors of primitive existence, insisting that the environmentalists would lead us to a non-technological society. "It is not possible that the anti-pollution—i.e., *anti-technology*—crusaders are ignorant of man's condition in the midst of an *unconquered* nature. It does not seem possible that, knowing it, they would advocate its return. But there it is, out of their own mouth."

It is difficult to see how any person, informed on the realities of contemporary life, could draw such a hard and fast association between environmentalism and "anti-technology." I doubt if many people take this position seriously, except for a small minority faction of the DAR. The simplistic attitude of Ayn Rand is revealed in her use of such terms as "dirt" and "grime" to characterize pollution. In her attempt to avoid criticism of industrialists, she defends a status quo technology and overlooks the more relevant concepts of "lethal" and "poisonous." In today's context, for a supposedly reality-orientated intellectual to declare that we should give thanks "to the nearest, grimiest, sootiest smokestack" we can find is, to use some Randist rhetoric, a monstrous absurdity and a moral obscenity.

There is a passage in *THE FOUNTAINHEAD* which portrays a young man on a bicycle. He is riding through a wooded area and experiences a sense of ecstasy when confronted with the world's beauty. He desires to feel the same thing in relation to man's work and finds it in the achievement of Howard Roark. That the author of that passage now thrusts a sooty smokestack in our faces as her vision of human achievement is a monumental contradiction and a sickening tragedy.

Richard Terrell
Crete, Nebraska

EDUCATION VOUCHERS QUESTIONED

After reading Robert Roole's article "The Case for Education Vouchers" (*REASON*, April/May 1971), and especially after reading his and Mr. Eenigenburg's comments in the August 1971 issue, I believe it necessary to make a few comments.

Mr. Poole has stubbornly chosen to ignore the fact that the voucher proposal first suggested by Milton Friedman is emphatically *not* the one scheduled for operation by the Office for Economic Opportunity (OEO). I suggest that Mr. Poole examine the reality of the situation and then consider whether he thinks it is a step in the right direction. In fact, he might profit from reading my own article on the subject: "Ticket to Ignorance: Education Vouchers," which appeared in the June issue of *SOL III MAGAZINE*.

Mr. Poole is not stamping his foot, no—but he *is* turning his head away from the obvious.

Peggy Farrell
Santa Monica, Calif.

MR. POOLE REPLIES:

Miss Farrell is correct in pointing out a substantial difference between the Friedman and Jencks versions of education vouchers. The Jencks plan soon to be tested by OEO contains a great many restrictions which considerably reduce the free-market characteristics intended by Friedman. Nevertheless, one need only observe the hysterical fear that the OEO program generates in most public school bureaucrats and teachers' union officials to realize that it delivers a major blow against "public education." For the first time in over a century, a significant amount of control over education will be in the hands of its consumers, rather than being the exclusive province of School Boards and unions.

Furthermore, the OEO demonstration program is just that—a demonstration. In its small, half-hearted way, it's a foot in the door. Once the demonstration has been completed, it will be up to local communities to decide whether to adopt any sort of voucher program—either *more* or *less* free-market-oriented. Hopefully, the resulting diversity of plans will demonstrate the greater success of the least-regulated voucher systems. Libertarians should begin planning now to exert a major influence several years hence in shaping post-demonstration voucher systems in a laissez-faire direction. □

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